

CASE 5470: MARALO, INC. FOR APPROVAL
OF THE BUTLER SPRINGS UNIT AGREEMENT,
CHAVES COUNTY, NEW MEXICO.

CASE No.

5470

Application,

Transcripts,

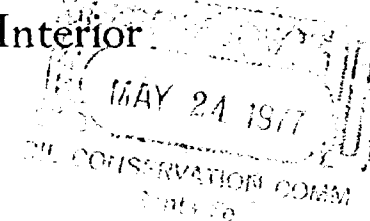
Small Exhibits

ETC.



United States Department of the Interior

GEOLOGICAL SURVEY
Conservation Division
P. O. Box 26124
Albuquerque, New Mexico 87125



MAY 20 1977

Maralo, Incorporated
Attention: Mr. John R. Burke
2200 West Loop South, Suite 130
Houston, Texas 77027

Gentlemen:

Your letter of May 4, 1977, requests termination of the Butler Springs unit agreement, Chaves County, New Mexico. Such letter also transmits letters from more than 75 percent, on an acreage basis, of working interest owners committed to the unit concurring in Maralo's termination request, as required by Section 20 of the unit agreement.

Three wells have been drilled under the terms of the Butler Springs unit agreement. Unit well No. 1 in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ sec. 2, T. 15S., R. 28E., N.M.P.M., was originally completed on September 22, 1975, in the Upper Penn interval 7,841 to 7,955 feet for an initial potential of 77 barrels of oil per day, and was subsequently recompleted in the Morrow interval 9,293 to 9,355 feet on September 20, 1976. Unit well No. 2 in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 12, T. 15S., R. 28E., N.M.P.M., was originally completed in the Morrow interval 9,289 to 9,460 feet on January 29, 1976, and was later recompleted in the Grayburg zone 2,070 to 2,090 feet on June 22, 1976. Neither unit well No. 1 nor No. 2 has proven capable of producing unitized substance in paying quantities. Unit well No. 3 in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ sec. 12, T. 15S., R. 28E., N.M.P.M., was plugged and abandoned on February 17, 1977, after reaching a total depth of 2,179 feet.

Accordingly, termination of the Butler Springs unit agreement is hereby approved effective as of May 9, 1977, the date such request was received by this office. Similar approval of termination was granted by the Commissioner of Public Lands of the State of New Mexico on May 9, 1977.

Copies of this termination are being distributed to appropriate Federal offices, and you are requested to furnish notice to all other interested parties.

Sincerely yours,

Orig. Signed - JAMES W. SUTHERLAND

Area Oil and Gas Supervisor

cc: BLM, Santa Fe
Com. Pub. Lands, Santa Fe
NMOCC, Santa Fe

Note to BLM: All Federal leases committed to the Butler Springs unit agreement should be considered for a two year extension as a result of this termination, pursuant to 43 CFR 3107.5.

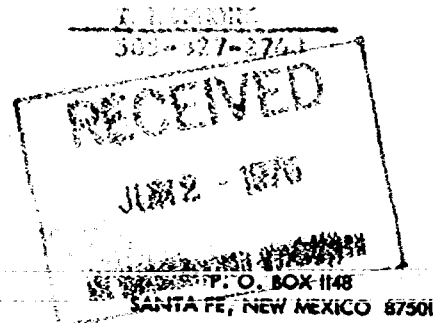
THIS COPY



PHIL R. LUCERO
COMMISSIONER



State of New Mexico
Commissioner of Public Lands
June 2, 1976



Navajo Inc.
2200 West Loop South Suite 130
Houston, Texas 77027

Re: Butler Springs Unit
PLAN OF FURTHER DEVELOPMENT
AND OPERATION
Chaves County, New Mexico

ATTENTION: Mr. John R. Burke

Gentlemen:

The Commissioner of Public Lands has this date approved your Plan of Further Development and Operation for the Butler Springs Unit, Chaves County, New Mexico. Your plan proposes the recompletion of Well No. 1 in the Morrow and recompletion of well No. 2 in the Grayburg zone.

This approval is subject to like approval by the United States Geological Survey.

Enclosed is one approved copy for your files.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division

PRM/EDG/s
encl.
cc:

UBGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico

Unit Name BUTLER SPRINGS UNIT (EXPLORATORY)

Operator Marolo, Inc.

County Chaves

000

DATE	OCC CASE NO.	5470	EFFECTIVE	TOTAL	STATE	FEDERAL	INDIAN-FEE	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	R-5021	DATE	ACREAGE				CLAUSE	
Commissioner 5-29-75	Commission 5-23-75		5-29-75	3,841.32	1,520.80	2,320.52	-0-	Yes	5 yrs.

UNIT AREA

TOWNSHIP 14 SOUTH, RANGE 28 EAST, NMPM

Section 35: S/2

Section 36: S/2

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM

Sections 1 and 2: All

Sections 11 and 12: All

Section 13: N/2

Section 14: N/2

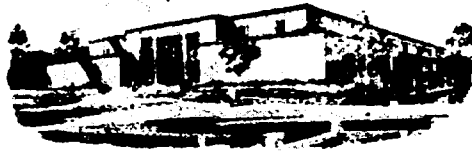
Unit Name BUTLER SPRINGS UNIT (EXPLORATORY)
 Operator Marolo, Inc.
 County Chaves

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
8	L-179	C.S.	35	14S	28E	S/2	5-23-75	640.00		Amoco Production Co.
9	L-446	C.S.	36	14S	28E	S/2	5-23-75	320.00		Amoco Production Co.
10	L-950	C.S.	2	15S	28E	S/2	5-23-75	240.40		Amoco Production Co.
11	L-1458	C.S.	1	15S	28E	Lot 4, S/2N/2, NW/4SE/4	5-23-75	40.01		Amoco Production Co.
12	L-6516	C.S.	2	15S	28E	Lot 3	5-23-75	280.39		Amoco Production Co.
			2	15S	28E	Lots 1, 2, 4, S/2N/2	5-23-75			Amoco Production Co.



PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

May 29, 1975

TELEPHONE
505-827-2

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Griffin & Burnett, Inc.
501 Petroleum Building
Midland, Texas 79701

Re: Marale, Inc.-
Butler Springs Unit
Chaves County, New Mexico

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

The Commissioner of Public Lands has this date approved the Butler Springs Unit, Chaves County, New Mexico, which you submitted on behalf of Marale, Inc. This approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval. We are furnishing the USGS with a copy of our letter of approval.

Please advise this office when the USGS approves the agreement so that we may finish processing same.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/a
encs.

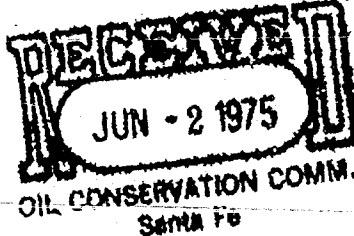
cc: USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico

5470

GRIFFIN & BURNETT, INC.

Oil Properties

KENNETH H. GRIFFIN
GARY G. BURNETT



501 PETROLEUM BUILDING
MIDLAND, TEXAS 79701
915 683.2705

May 30, 1975

Re: File #3036
BUTLER SPRINGS UNIT
Chaves County, New Mexico
Case No. 5470
Order No. R-5021

OIL CONSERVATION COMMISSION
State Land Office Building
Santa Fe, New Mexico

Gentlemen:

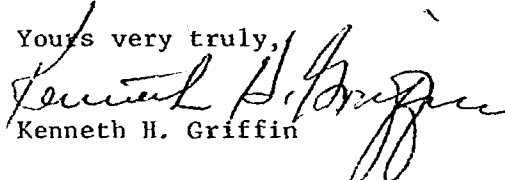
We enclose herewith an executed counterpart of the unit agreement covering the subject unit to which is attached xerox copy of Certification-Determination by the U. S. Geological Survey and a Certificate of Approval from the Commissioner of Public Lands, State of New Mexico.

To show full ratification by all interested parties, we enclose ratifications from the following:

- (1) Erma Lowe and
M. Ralph Lowe, Inc.
- (2) Lowe Petroleum Company
- (3) Read & Stevens, Inc.
- (4) Amoco Production Company

If any additional information is needed, please advise.

Yours very truly,


Kenneth H. Griffin

KHG/jj
Enclosures

cc: Mr. John Burke
MARALO, INC.
Suite 130, 2200 West Broadway South
Houston, Texas

CERTIFICATION--DETERMINATION

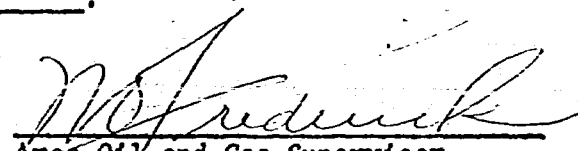
Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C, secs. 181, et seq., and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the Butler Springs Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated May 29, 1975.


Area Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-14265



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

BUTLER SPRINGS UNIT

CHAVES COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated May 1, 1975, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 29th. day of May, 19 75.

Phil R. Lucas

COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

UNIT AGREEMENT
BUTLER SPRINGS UNIT
CHAVES COUNTY, NEW MEXICO

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1 UNIT AGREEMENT 1
2 FOR THE DEVELOPMENT AND OPERATION 2
3 OF THE 3
4 BUTLER SPRINGS UNIT AREA 4
5 COUNTY OF CHAVES 5
6 STATE OF NEW MEXICO 6
7 NO. _____ 7

8 THIS AGREEMENT, entered into as of the 1st day of May, 8
9 1975 by and between the parties subscribing, ratifying, or consenting hereto, 9
10 and herein referred to as the "parties hereto," 10

11 W I T N E S S E T H : 11

12 WHEREAS, the parties hereto are the owners of working royalty, or other 12
13 oil and gas interests in the unit area subject to this agreement; and 13

14 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as 14
15 amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their 15
16 representatives to unite with each other, or jointly or separately with others, 16
17 in collectively adopting and operating a cooperative or unit plan of develop- 17
18 ment or operation of any oil or gas pool, field, or like area, or any part thereof 18
19 for the purpose of more properly conserving the natural resources thereof when- 19
20 ever determined and certified by the Secretary of the Interior to be necessary 20
21 or advisable in the public interest; and 21

22 WHEREAS, the Commissioner of Public Lands of the State of New Mexico 22
23 is authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 23
24 Annotated) to consent to or approve this agreement on behalf of the State of 24
25 New Mexico, insofar as it covers and includes lands and mineral interest of the 25
26 State of New Mexico; and, 26

27 WHEREAS, the Oil Conservation Commission of the State of New Mexico is 27
28 authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended 28
29 by Chapter 193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws 29
30 of 1949) to approve this agreement and the conservation provisions hereof; and, 30

31 WHEREAS, the parties hereto hold sufficient interests in the Butler 31
32 Springs Unit Area covering the land hereinafter described to give 32
33 reasonably effective control of operations therein; and 33

34 WHEREAS, it is the purpose of the parties hereto to conserve natural 34

1 resources, prevent waste, and secure other benefits obtainable through develop- 1
2 ment and operation of the area subject to this agreement under the terms, 2
3 conditions, and limitations herein set forth; 3

4 NOW, THEREFORE, in consideration of the premises and the promises herein 4
5 contained, the parties hereto commit to this agreement their respective interests 5
6 in the below-defined unit area, and agree severally among themselves as follows: 6

7 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 7
8 1920, as amended, supra, and all valid pertinent regulations, including operating 8
9 and unit plan regulations, heretofore issued thereunder or valid, pertinent, and 9
10 reasonable regulations hereafter issued thereunder are accepted and made a part of 10
11 this agreement as to Federal lands, provided such regulations are not inconsistent 11
12 with the terms of this agreement; and as to non-Federal lands, the oil and gas 12
13 operating regulations in effect as of the effective date hereof governing, drilling 13
14 and producing operations, not inconsistent with the terms hereof or the laws of the 14
15 State in which the non-Federal land is located, are hereby accepted and made a part 15
16 of this agreement. 16

17 2. UNIT AREA. The following described land is hereby designated and recog- 17
18 nized as constituting the unit area: 18

19 TOWNSHIP 14 SOUTH, RANGE 28 EAST, N.M.P.M. 19
20 Section 35: S/2 Section 36: S/2 20
21 TOWNSHIP 15 SOUTH, RANGE 28 EAST, N.M.P.M. 21
22 Section 1: All Section 12: All 22
Section 2: All Section 13: N/2
Section 11: All Section 14: N/2

23 containing 3,841.32 acres, more or less 23

24 Exhibit "A" attached hereto is a map showing the unit area and the boundaries 24
25 and identity of tracts and leases in said area to the extent known to the Unit 25
26 Operator. Exhibit "B" attached hereto is a schedule showing to the extent 26
27 known to the Unit Operator the acreage, percentage, and kind of ownership of 27
28 oil and gas interests in all land in the unit area. However, nothing herein 28
29 or in said schedule or map shall be construed as a representation by any party 29
30 hereto as to the ownership of any interest other than such interest or interests 30
31 as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" 31
32 shall be revised by the Unit Operator whenever changes in the unit area render 32
33 such revision necessary when requested by the Oil and Gas Supervisor, hereinafter 33
34 referred to as "Supervisor", or when requested by the Commissioner of Public 34
35 Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," 35

1 and not less than five (5) copies of the revised Exhibits shall be filed with 1
2 the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, 2
3 and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter 3
4 referred to as "State Commission." 4

5 The above-described unit area shall, when practicable, be expanded to 5
6 include therein any additional lands or shall be contracted to exclude lands 6
7 whenever such expansion or contraction is deemed to be necessary or advisable 7
8 to conform with the purposes of this agreement. Such expansion or contraction 8
9 shall be effected in the following manner: 9

10 (a) Unit Operator, on its own motion or on demand of the Director of the 10
11 Geological Survey, hereinafter referred to as "Director," or on demand of the 11
12 Land Commissioner, after preliminary concurrence by the Director, shall prepare 12
13 a notice of proposed expansion or contraction describing the contemplated changes 13
14 in the boundaries of the unit area, the reasons therefor, and the proposed 14
15 effective date thereof, preferably, the first day of a month subsequent to the 15
16 date of notice. 16

17 (b) Said notice shall be delivered to the Supervisor, the Land Commissioner 17
18 and the State Commission, and copies thereof mailed to the last known address 18
19 of each working-interest owner, lessee, and lessor whose interests are affected, 19
20 advising that thirty (30) days will be allowed for submission to the Unit 20
21 Operator of any objections. 21

22 (c) Upon expiration of the 30-day period provided in the preceding item 22
23 (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner, 23
24 and the State Commission, evidence of mailing of the notice of expansion or con- 24
25 traction and a copy of any objections thereto which have been filed with the 25
26 Unit Operator, together with an application in sufficient number, for approval 26
27 of such expansion or contraction and with appropriate joinders. 27

28 (d) After due consideration of all pertinent information, the expansion 28
29 or contraction shall, upon approval by the Supervisor, the Land Commissioner, 29
30 become effective as of the date prescribed in the notice thereof. 30

31 (e) All legal subdivisions of lands (i.e., 40 acres by Government survey 31
32 or its nearest lot or tract equivalent; in instances of irregular surveys 32
33 unusually large lots or tracts shall be considered in multiples of 40 acres or 33
34 the nearest aliquot equivalent thereof), no parts of which are entitled to be 34
35 in a participating area on or before the fifth anniversary of the effective 35
36 date of the first initial participating area established under this unit 36
37 agreement, shall be eliminated automatically from this agreement, effective as 37

1 of said fifth anniversary, and such lands shall no longer be a part of the 1
2 unit area and shall no longer be subject to this agreement, unless diligent 2
3 drilling operations are in progress on unitized lands not entitled to partici- 3
4 pation on said fifth anniversary, in which event all such lands shall remain 4
5 subject hereto for so long as such drilling operations are continued diligently, 5
6 with not more than 90 days' time elapsing between the completion of one such 6
7 well and the commencement of the next such well. All legal subdivisions of 7
8 lands not entitled to be in a participating area within 10 years after the 8
9 effective date of the first initial participating area approved under this 9
10 agreement shall be automatically eliminated from this agreement as of said 10
11 tenth anniversary. All lands proved productive by diligent drilling operations 11
12 after the aforesaid five-year period shall become participating in the same 12
13 manner as during said five-year period. However, when such diligent drilling 13
14 operations cease, all non-participating lands shall be automatically eliminated 14
15 effective as of the 91st day thereafter. The unit operator shall within 90 days 15
16 after the effective date of any elimination hereunder, describe the area so 16
17 eliminated to the satisfaction of the Supervisor and the Land Commissioner and 17
18 promptly notify all parties in interest. 18

19 If conditions warrant extension of the ten-year period specified in this 19
20 subsection 2 (e), a single extension of not to exceed two years may be accom- 20
21 plished by consent of the owners of 90% of the working interests in the current 21
22 non-participating unitized lands and the owners of 60% of the basic royalty 22
23 interests (exclusive of the basic royalty interests of the United States) in non- 23
24 participating unitized lands with approval of the Director and Land Commissioner, 24
25 provided such extension application is submitted to the Director and the Land 25
26 Commissioner not later than 60 days prior to the expiration of said ten-year 26
27 period. 27

28 Any expansion of the unit area pursuant to this section which embraces 28
29 lands theretofore eliminated pursuant to this subsection 2 (e) shall not be 29
30 considered automatic commitment or recommitment of such lands. 30

31 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 31
32 agreement shall constitute land referred to herein as "unitized land" or "land 32
33 subject to this agreement." All oil and gas in any and all formations of the 33
34 unitized land are unitized under the terms of this agreement and herein are 34
35 called "unitized substances." 35

36 4. UNIT OPERATOR. MARALO, INC. 36
37 is hereby designated as Unit Operator and by signature hereto as Unit Operator 37

1 agrees and consents to accept the duties and obligations of Unit Operator for 1
2 the discovery, development, and production of unitized substances as herein 2
3 provided. Whenever reference is made herein to the Unit Operator, such reference 3
4 means the Unit Operator acting in the capacity and not as an owner of interest 4
5 in unitized substances, and the term "working-interest owner" when used shall 5
6 include or refer to Unit Operator as the owner of a working interest when such 6
7 an interest is owned by it. 7

8 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the 8
9 right to resign at any time prior to the establishment of a participating area 9
10 or areas hereunder, but such resignation shall not become effective so as to 10
11 release Unit Operator from the duties and obligations of Unit Operator and 11
12 terminate Unit Operator's rights as such for a period of six (6) months after 12
13 notice of intention to resign has been served by Unit Operator on all working- 13
14 interest owners and the Supervisor and the Land Commissioner, and until all wells 14
15 then drilled hereunder are placed in a satisfactory condition for suspension or 15
16 abandonment whichever is required by the Supervisor as to Federal lands and the 16
17 State Commission as to State lands, unless a new Unit Operator shall have been 17
18 selected and approved and shall have taken over and assumed the duties and 18
19 obligations of Unit Operator prior to the expiration of said period. 19

20 Unit Operator shall have the right to resign in like manner and subject to 20
21 like limitations as above provided at any time a participating area established 21
22 hereunder is in existence, but, in all instances of resignation or removal, until 22
23 a successor unit operator is selected and approved as hereinafter provided, the 23
24 working-interest owners shall be jointly responsible for performance of the 24
25 duties of unit operator, and shall not later than 30 days before such resigna- 25
26 tion or removal becomes effective appoint a common agent to represent them in any 26
27 action to be taken hereunder. 27

28 The resignation of Unit Operator shall not release Unit Operator from any 28
29 liability for any default by it hereunder occurring prior to the effective date 29
30 of its resignation. 30

31 The Unit Operator may, upon default or failure in the performance of its 31
32 duties or obligations hereunder, be subject to removal by the same percentage 32
33 vote of the owners of working interests as herein provided for the selection 33
34 of a new Unit Operator. Such removal shall be effective upon notice thereof 34
35 to the Supervisor and the Land Commissioner. 35

1 The resignation or removal of Unit Operator under this agreement shall 1
2 not terminate its right, title, or interest as the owner of a working interest 2
3 or other interest in unitized substances, but upon the resignation or removal 3
4 of Unit Operator becoming effective, such Unit Operator shall deliver possession 4
5 of all wells, equipment, materials, and appurtenances used in conducting the 5
6 unit operations to the new duly qualified successor Unit Operator or to the 6
7 common agent, if no such new Unit Operator is elected, to be used for the purpose 7
8 of conducting unit operations hereunder. Nothing herein shall be construed as 8
9 authorizing removal of any material, equipment, and appurtenances needed for 9
10 the preservation of any wells. 10

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 11
12 or its resignation as Unit Operator or shall be removed as hereinabove provided, 12
13 or a change of Unit Operator is negotiated by working-interest owners, the owners 13
14 of the working interests in the participating area or areas according to their 14
15 respective acreage interests in such participating area or areas, or until a 15
16 participating area shall have been established, the owners of the working 16
17 interests according to their respective acreage interests in all unitized land, 17
18 shall by majority vote select a successor Unit Operator: Provided, That, if a 18
19 majority but less than 75 per cent of the working interests qualified to vote 19
20 are owned by one party to this agreement, a concurring vote of one or more 20
21 additional working interest owners shall be required to select a new operator. 21
22 Such selection shall not become effective until 22

23 (a) a Unit Operator so selected shall accept in writing the duties and 23
24 responsibilities of Unit Operator, and 24

25 (b) the selection shall have been approved by the Supervisor and approved 25
26 by the Land Commissioner. 26

27 If no successor Unit Operator is selected and qualified as herein provided, 27
28 the Director and the Land Commissioner, at their election, may declare this 28
29 unit agreement terminated. 29

30 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator 30
31 is not the sole owner of working interest, costs and expenses incurred by Unit 31
32 Operator in conducting unit operations hereunder shall be paid and apportioned 32
33 among and borne by the owners of working interests, all in accordance with the 33
34 agreement or agreements entered into by and between the Unit Operator and the 34
35 owners of working interests, whether one or more, separately or collectively. 35

1 Any agreement or agreements entered into between the working-interest owners 1
2 and the Unit Operator as provided in this section, whether one or more, are 2
3 herein referred to as the "unit operating agreement." Such unit operating 3
4 agreement shall also provide the manner in which the working-interest owners 4
5 shall be entitled to receive their respective proportionate and allocated share 5
6 of the benefits accruing hereto in conformity with their underlying operating 6
7 agreements, leases, or other independent contracts, and such other rights and 7
8 obligations as between Unit Operator and the working-interest owners as may be 8
9 agreed upon by Unit Operator and the working-interest owners; however, no such 9
10 unit operating agreement shall be deemed either to modify any of the terms and 10
11 conditions of this unit agreement or to relieve the Unit Operator of any right 11
12 or obligation established under this unit agreement, and in case of any incon- 12
13 sistency or conflict between this unit agreement and the unit operating agreement, 13
14 this unit agreement shall govern. Three true copies of any unit operating agree- 14
15 ment executed pursuant to this section should be filed with the Supervisor and 15
16 one true copy with the Land Commissioner, prior to approval of this unit agree- 16
17 ment. 17

18 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifi- 18
19 cally provided herein, the exclusive right, privilege and duty of exercising 19
20 any and all rights of the parties hereto which are necessary or convenient for 20
21 prospecting for, producing, storing, allocating, and distributing the unitized 21
22 substances are hereby delegated to and shall be exercised by the Unit Operator 22
23 as herein provided. Acceptable evidence of title to said rights shall be 23
24 deposited with said Unit Operator and, together with this agreement, shall 24
25 constitute and define the rights, privileges, and obligations of Unit Operator. 25
26 Nothing herein, however, shall be construed to transfer title to any land or to 26
27 any lease or operating agreement, it being understood that under this agreement 27
28 the Unit Operator, in its capacity as Unit Operator, shall exercise the rights 28
29 of possession and use vested in the parties hereto only for the purposes herein 29
30 specified. 30

31 9. DRILLING TO DISCOVERY. Within six (6) months after the effective date 31
32 hereof, the Unit Operator shall begin to drill an adequate test well at a 32
33 location approved by the Supervisor, if on Federal land, or by the Land 33
34 Commissioner, if on State land, unless on such effective date a well is being 34
35 drilled conformably with the terms hereof, and thereafter continue such drilling 35

1 diligently until the Mississippian (Earnett Shale) formation has been penetrated 1
2 and all formations of the Pennsylvanian age have been tested, or until at a 2
3 lesser depth unitized substances shall be discovered which can be produced in 3
4 paying quantities (to-wit: quantities sufficient to repay the costs of drilling, 4
5 completing and producing operations, with a reasonable profit) or the Unit 5
6 Operator shall, at any time, establish to the satisfaction of the Supervisor 6
7 if on Federal land, or the Land Commissioner if on State land, that further 7
8 drilling of said well would be unwarranted or impracticable; provided, however, 8
9 that Unit Operator shall not, in any event, be required to drill said well to a 9
10 depth in excess of 9,500 feet. Until the discovery of a deposit of unitized 10
11 substances capable of being produced in paying quantities, the Unit Operator 11
12 shall continue drilling diligently one well at a time, allowing not more than 12
13 six (6) months between the completion of one well and the beginning of the next 13
14 well, until a well capable of producing unitized substances in paying quantities 14
15 is completed to the satisfaction of said Supervisor if it be on Federal land or 15
16 of the Land Commissioner if on State land, or until it is reasonably proved that 16
17 the unitized land is incapable of producing unitized substances in paying 17
18 quantities in the formations drilled hereunder. Nothing in this section shall 18
19 be deemed to limit the right of the Unit Operator to resign as provided in 19
20 Section 5 hereof, or as requiring Unit Operator to commence or continue any 20
21 drilling during the period pending such resignation becoming effective in 21
22 order to comply with the requirements of this section. The Supervisor and Land 22
23 Commissioner may modify the drilling requirements of this section by granting 23
24 reasonable extensions of time when, in their opinion, such action is warranted. 24
25 Upon failure to commence any well provided for in this section within the 25
26 time allowed, including any extension of time granted by the Supervisor and the 26
27 Land Commissioner, this agreement will automatically terminate; upon failure to 27
28 continue drilling diligently any well commenced hereunder, the Supervisor and 28
29 the Land Commissioner may, after 15-days notice to the Unit Operator, declare 29
30 this unit agreement terminated. 30
31 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months 31
32 after completion of a well capable of producing unitized substances in paying 32
33 quantities, the Unit Operator shall submit for the approval of the Supervisor and 33
34 the Land Commissioner an acceptable plan of development and operation for the 34
35 unitized land which, when approved by the Supervisor and the Land Commissioner, 35
36 shall constitute the further drilling and operating obligations of the Unit 36

1 Operator under this agreement for the period specified therein. Thereafter, 1
 2 from time to time before the expiration of any existing plan, the Unit Operator 2
 3 shall submit for the approval of the Supervisor and the Land Commissioner a 3
 4 plan for an additional specified period for the development and operation of the 4
 5 unitized land. 5
 6 Any plan submitted pursuant to this section shall provide for the explora- 6
 7 tion of the unitized area and for the diligent drilling necessary for determina- 7
 8 tion of the area or areas thereof capable of producing unitized substances in 8
 9 paying quantities in each and every productive formation and shall be as complete 9
 10 and adequate as the Supervisor and the Land Commissioner may determine to be 10
 11 necessary for timely development and proper conservation of the oil and gas 11
 12 resources of the unitized area and shall: 12
 13 (a) specify the number and locations of any wells to be drilled and the 13
 14 proposed order and time for such drilling; and 14
 15 (b) to the extent practicable specify the operating practices regarded as 15
 16 necessary and advisable for proper conservation of natural resources. 16
 17 Separate plans may be submitted for separate productive zones, subject to the 17
 18 approval of the Supervisor and the Land Commissioner. 18
 19 Plans shall be modified or supplemented when necessary to meet changed 19
 20 conditions or to protect the interests of all parties to this agreement. 20
 21 Reasonable diligence shall be exercised in complying with the obligations of the 21
 22 approved plan of development. The Supervisor and the Land Commissioner are 22
 23 authorized to grant a reasonable extension of the six-month period herein pre- 23
 24 scribed for submission of an initial plan of development where such action is 24
 25 justified because of unusual conditions or circumstances. After completion here- 25
 26 under of a well capable of producing any unitized substance in paying quantities, 26
 27 no further wells, except such as may be necessary to afford protection against 27
 28 operations not under this agreement and such as may be specifically approved 28
 29 by the Supervisor and the Land Commissioner, shall be drilled except in accord- 29
 30 ance with a plan of development approved as herein provided. 30
 31 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 31
 32 producing unitized substances in paying quantities or as soon thereafter as re- 32
 33 quired by the Supervisor or the Land Commissioner, the Unit Operator shall submit 33
 34 for approval by the Supervisor and the Land Commissioner a schedule, based on 34
 35 subdivisions of the public-land survey or aliquot parts thereof, of all land 35

1 then regarded as reasonably proved to be productive in paying quantities; all 1
 2 lands in said schedule on approval of the Supervisor and the Land Commissioner 2
 3 to constitute a participating area, effective as of the date of completion of 3
 4 such well or the effective date of this unit agreement, whichever is later. 4
 5 The acreages of both Federal and non-Federal lands shall be based upon appropri- 5
 6 ate computations from the courses and distances shown on the last approved 6
 7 public-land survey as of the effective date of each initial participating area. 7
 8 Said schedule shall also set forth the percentage of unitized substances to be 8
 9 allocated as herein provided to each tract in the participating area so estab- 9
 10 lished, and shall govern the allocation of production commencing with the 10
 11 effective date of the participating area. A separate participating area shall be 11
 12 established for each separate pool or deposit of unitized substances or for any 12
 13 group thereof which is produced as a single pool or zone, and any two or more 13
 14 participating areas so established may be combined into one, on approval of the 14
 15 Supervisor and the Land Commissioner. When production from two or more partici- 15
 16 pating areas, so established, is subsequently found to be from a common pool or 16
 17 deposit said participating areas shall be combined into one effective as of 17
 18 such appropriate date as may be approved or prescribed by the Supervisor and the 18
 19 Land Commissioner. The participating area or areas so established shall be 19
 20 revised from time to time, subject to like approval, to include additional land 20
 21 then regarded as reasonably proved to be productive in paying quantities or 21
 22 necessary for unit operations, or to exclude land then regarded as reasonably 22
 23 proved not to be productive in paying quantities and the schedule of allocation 23
 24 percentages shall be revised accordingly. The effective date of any revision 24
 25 shall be the first of the month in which is obtained the knowledge or information 25
 26 on which such revision is predicated, provided, however, that a more appropriate 26
 27 effective date may be used if justified by the Unit Operator and approved by the 27
 28 Supervisor and the Land Commissioner. No land shall be excluded from a 28
 29 participating area on account of depletion of the unitized substances, except 29
 30 that any participating area established under the provisions of this unit 30
 31 agreement shall terminate automatically whenever all completions in the formation 31
 32 on which the participating area is based are abandoned. 32
 33 It is the intent of this section that a participating area shall represent 33
 34 the area known or reasonably estimated to be productive in paying quantities; but 34
 35 regardless of any revision of the participating area, nothing herein contained 35

1 shall be construed as requiring any retroactive adjustment for production 1
2 obtained prior to the effective date of the revision of the participating area. 2
3 In the absence of agreement at any time between the Unit Operator and the 3
4 Supervisor and the Land Commissioner as to the proper definition or redefinition 4
5 of a participating area, or until a participating area has, or areas have, been 5
6 established as provided herein, the portion of all payments affected thereby 6
7 shall be impounded in a manner mutually acceptable to the owners of working 7
8 interests and the Supervisor and the Land Commissioner. Royalties due the United 8
9 States shall be determined by the Supervisor for Federal lands and the Land 9
10 Commissioner for the State lands and the amount thereof shall be deposited, as 10
11 directed by the Supervisor and the Land Commissioner, to be held as unearned money 11
12 until a participating area is finally approved and then applied as earned or 12
13 returned in accordance with a determination of the sum due as Federal and State 13
14 royalty on the basis of such approved participating area. 14
15 Whenever it is determined, subject to the approval of the Supervisor and 15
16 the Land Commissioner, that a well drilled under this agreement is not capable of 16
17 production in paying quantities and inclusion of the land on which it is situated 17
18 in a participating area is unwarranted, production from such well shall, for the 18
19 purposes of settlement among all parties other than working-interest owners, be 19
20 allocated to the land on which the well is located unless such land is already 20
21 within the participating area established for the pool or deposit from which such 21
22 production is obtained. Settlement for working interest benefits from such a 22
23 well shall be made as provided in the unit operating agreement. 23
24 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 24
25 participating area established under this agreement, except any part thereof 25
26 used in conformity with good operating practices within the unitized area for 26
27 drilling, operating, camp, and other production or development purposes, for 27
28 repressuring or recycling in accordance with a plan of development approved by 28
29 the Supervisor and Land Commissioner, or unavoidably lost, shall be deemed to be 29
30 produced equally on an acreage basis from the several tracts of unitized land 30
31 of the participating area established for such production and, for the purpose of 31
32 determining any benefits accruing under this agreement, each such tract of 32
33 unitized land shall have allocated to it such percentage of said production 33
34 as the number of acres of such tract included in said participating area bears 34
35 to the total acres of unitized land in said participating area, except that 35
36 allocation of production hereunder for purposes other than for settlement of 36

1 the royalty, overriding royalty, or payment out of production obligations 1
2 of the respective working-interest owners, shall be on the basis prescribed in 2
3 the unit operating agreement whether in conformity with the basis of allocation 3
4 herein set forth or otherwise. It is hereby agreed that production of unitized 4
5 substances from a participating area shall be allocated as provided herein 5
6 regardless of whether any wells are drilled on any particular part or tract of 6
7 said participating area. If any gas produced from one participating area is used 7
8 for repressuring or recycling purposes in another participating area, the first 8
9 gas withdrawn from such last-mentioned participating area for sale during the 9
10 life of this agreement shall be considered to be the gas so transferred until an 10
11 amount equal to that transferred shall be so produced for sale and such gas shall 11
12 be allocated to the participating area from which initially produced as such area 12
13 was last defined at the time of such final production. 13

14 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any 14
15 party hereto owning or controlling the working interest in any unitized land 15
16 having thereon a regular well location may with the approval of the Supervisor 16
17 and the Land Commissioner, at such party's sole risk, costs, and expense, drill 17
18 a well to test any formation for which a participating area has not been estab- 18
19 lished or to test any formation for which a participating area has been estab- 19
20 lished if such location is not within said participating area, unless within 90 20
21 days of receipt of notice from said party of his intention to drill the well 21
22 the Unit Operator elects and commences to drill such a well in like manner as 22
23 other wells are drilled by the Unit Operator under this agreement. 23

24 If any well drilled as aforesaid by a working-interest owner results in 24
25 production such that the land upon which it is situated may properly be included 25
26 in a participating area, such participating area shall be established or enlarged 26
27 as provided in this agreement and the well shall thereafter be operated by the 27
28 Unit Operator in accordance with the terms of this agreement and the unit 28
29 operating agreement. 29

30 If any well drilled as aforesaid by a working-interest owner obtains 30
31 production in quantities insufficient to justify the inclusion of the land upon 31
32 which such well is situated in a participating area, such well may be operated 32
33 and produced by the party drilling the same subject to the conservation require- 33
34 ments of this agreement. The royalties in amount or value of production from 34
35 any such well shall be paid as specified in the underlying lease and agreements 35
36 affected. 36

1 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 1
2 owner who is entitled to take in kind a share of the substances now unitized 2
3 hereunder shall hereafter be entitled to the right to take in kind its share 3
4 of the unitized substances, and the Unit Operator, or the working-interest owner 4
5 in case of the operation of a well by a working-interest owner as herein pro- 5
6 vided for in special cases, shall make deliveries of such royalty share taken 6
7 in kind in conformity with the applicable contracts, laws, and regulations. 7
8 Settlement for royalty interest not taken in kind shall be made by working-interest 8
9 owners responsible therefor under existing contracts, laws, and regulations, or 9
10 by the Unit Operator, on or before the last day of each month for unitized sub- 10
11 stances produced during the preceding calendar month; provided, however, that 11
12 nothing herein contained shall operate to relieve the lessees of any land from 12
13 their respective lease obligations for the payment of any royalties due under 13
14 their leases. 14
15 If gas obtained from lands not subject to this agreement is introduced 15
16 into any participating area hereunder, for use in repressuring, stimulation of 16
17 production, or increasing ultimate recovery, in conformity with a plan of opera- 17
18 tions approved by the Supervisor and the Land Commissioner, a like amount of gas, 18
19 after settlement as herein provided for any gas transferred from any other parti- 19
20 cipating area and with appropriate deduction for loss from any cause, may be with- 20
21 drawn from the formation into which the gas is introduced, royalty free as to dry 21
22 gas, but not as to any products which may be extracted therefrom; provided that 22
23 such withdrawal shall be at such time as may be provided in the approved plan of 23
24 operations or as may otherwise be consented to by the Supervisor and the Land 24
25 Commissioner as conforming to good petroleum engineering practice; and provided 25
26 further, that such right of withdrawal shall terminate on the termination of this 26
27 unit agreement. 27
28 Royalty due the United States shall be computed as provided in the operating 28
29 regulations and paid in value or delivered in kind as to all unitized substances 29
30 on the basis of the amounts thereof allocated to unitized Federal land as pro- 30
31 vided herein at the rates specified in the respective Federal leases, or at such 31
32 lower rate or rates as may be authorized by law or regulation; provided, that 32
33 for leases on which the royalty rate depends on the daily average production per 33
34 well, said average production shall be determined in accordance with the 34
35 operating regulations as though each participating area were a single consoli- 35
36 dated lease. 36

1 to make the same conform to the provisions hereof, but otherwise to remain in 1
2 full force and effect; and the parties hereto hereby consent that the Secretary, 2
3 as to Federal leases and the Land Commissioner, as to State leases, shall and 3
4 each by his approval hereof, or by the approval hereof by his duly authorized 4
5 representative, does hereby establish, alter, change, or revoke the drilling, 5
6 producing, rental, minimum royalty, and royalty requirements of Federal and 6
7 State leases committed hereto and the regulations in respect thereto to conform 7
8 said requirements to the provisions of this agreement, and without limiting the 8
9 generality of the foregoing, all leases, subleases, and contracts are particu- 9
10 larly modified in accordance with the following: 10

11 (a) The development and operation of lands subject to this agreement 11
12 under the terms thereof shall be deemed full performance of all obligations for 12
13 development and operation with respect to each and every separately owned tract 13
14 subject to this agreement, regardless of whether there is any development of any 14
15 particular tract of the unit area. 15

16 (b) Drilling and producing operations performed hereunder upon any tract 16
17 of unitized lands will be accepted and deemed to be performed upon and for the 17
18 benefit of each and every tract of unitized land, and no lease shall be deemed 18
19 to expire by reason of failure to drill or produce wells situated on the land 19
20 therein embraced. 20

21 (c) Suspension of drilling or producing operations on all unitized lands 21
22 pursuant to direction or consent of the Secretary and the Land Commissioner, or 22
23 his duly authorized representative, shall be deemed to constitute such suspension 23
24 pursuant to such direction or consent as to each and every tract of unitized land. 24
25 A suspension of drilling or producing operations limited to specified lands shall 25
26 be applicable only to such lands. 26

27 (d) Each lease, sublease, or contract relating to the exploration, 27
28 drilling, development or operation for oil or gas of lands other than those of 28
29 the United States and State of New Mexico committed to this agreement, which, 29
30 by its terms might expire prior to the termination of this agreement, is hereby 30
31 extended beyond any such terms so provided therein so that it shall be continued 31
32 in full force and effect for and during the term of this agreement. 32

33 (e) Any Federal lease for a fixed term of twenty (20) years or any 33
34 renewal thereof or any part of such lease which is made subject to this agree- 34
35 ment shall continue in force beyond the term provided therein until the 35

1 termination hereof. Any other Federal lease committed hereto shall continue in 1
2 force beyond the term so provided therein or by law as to the land committed 2
3 so long as such lease remains subject hereto, provided that production is had 3
4 in paying quantities under this unit agreement prior to the expiration date 4
5 of the term of such lease, or in the event actual drilling operations are 5
6 commenced on unitized land, in accordance with the provisions of this agreement, 6
7 prior to the end of the primary term of such lease and are being diligently 7
8 prosecuted at that time, such lease shall be extended for two years and so long 8
9 thereafter as oil or gas is produced in paying quantities in accordance with 9
10 the provisions of the Mineral Leasing Act Revision of 1960. 10

11 (f) Each sublease or contract relating to the operation and development 11
12 of unitized substances from lands of the United States committed to this 12
13 agreement, which by its terms would expire prior to the time at which the under- 13
14 lying lease, as extended by the immediately preceding paragraph, will expire, 14
15 is hereby extended beyond any such term so provided therein so that it shall be 15
16 continued in full force and effect for and during the term of the underlying 16
17 lease as such term is herein extended. 17

18 (g) The segregation of any Federal Lease committed to this agreement is 18
19 governed by the following provision in the fourth paragraph of Sec. 17 (j) of 19
20 the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 20
21 781-784): "Any (Federal) lease heretofore or hereafter committed to any such 21
22 (unit) Plan embracing lands that are in part within and in part outside of the 22
23 area covered by any such plan shall be segregated into separate leases as to 23
24 the lands committed and the lands not committed as of the effective date of 24
25 unitization: Provided, however, that any such lease as to the non-unitized 25
26 portion shall continue in force and effect for the term thereof but for not 26
27 less than two years from the date of such segregation and so long thereafter 27
28 as oil or gas is produced in paying quantities." 28

29 (h) Any lease embracing lands of the State of New Mexico which is made 29
30 subject to this agreement, shall continue in force beyond the term provided 30
31 therein as to the lands committed hereto until the termination hereof. 31

32 (i) Any lease embracing lands of the State of New Mexico having only a 32
33 portion of its lands committed hereto, shall be segregated as to the portion 33
34 committed and the portion not committed, and the terms of such lease shall 34
35 apply separately to such segregated portions commencing as of the effective date 35

1 hereof; provided, however, notwithstanding any of the provisions of this 1
 2 agreement to the contrary any lease embracing lands of the State of New Mexico 2
 3 having only a portion of its lands committed hereto shall continue in full 3
 4 force and effect beyond the term provided therein as to all lands embraced in 4
 5 such lease, if oil or gas is discovered and is capable of being produced in 5
 6 paying quantities from some part of the lands embraced in such lease at the 6
 7 expiration of the secondary term of such lease; or if, at the expiration of the 7
 8 secondary term, the lessee or the Unit Operator is then engaged in bona fide 8
 9 drilling or reworking operations on some part of the lands embraced in such 9
 10 lease, the same, as to all lands embraced therein, shall remain in full force 10
 11 and effect so long as such operations are being diligently prosecuted, and if 11
 12 they result in the production of oil or gas; said lease shall continue in full 12
 13 force and effect as to all of the lands embraced therein, so long thereafter as 13
 14 oil or gas in paying quantities is being produced from any portion of said lands. 14
 15 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to 15
 16 be covenants running with the land with respect to the interest of the parties 16
 17 hereto and their successors in interest until this agreement terminates, and 17
 18 any grant, transfer, or conveyance, or interest in land or leases subject hereto 18
 19 shall be and hereby is conditioned upon the assumption of all privileges and 19
 20 obligations hereunder by the grantee, transferee, or other successor in interest. 20
 21 No assignment or transfer of any working interest, royalty, or other interest 21
 22 subject hereto shall be binding upon Unit Operator until the first day of the 22
 23 calendar month after Unit Operator is furnished with the original, photostatic, 23
 24 or certified copy of the instrument of transfer. 24
 25 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 25
 26 approval by the Secretary and the Land Commissioner or his duly authorized 26
 27 representative, and shall terminate five (5) years from said effective date 27
 28 unless 28
 29 (a) such date of expiration is extended by the Director and the Land Com- 29
 30 missioner, or 30
 31 (b) it is reasonably determined prior to the expiration of the fixed term 31
 32 or any extension thereof that the unitized land is incapable of production of 32
 33 unitized substances in paying quantities in the formations tested hereunder and 33
 34 after notice of intention to terminate the agreement on such ground is given by 34
 35 the Unit Operator to all parties in interest at their last known addresses, the 35

1 agreement is terminated with the approval of the Supervisor and the Land 1
2 Commissioner, or 2
3 (c) a valuable discovery of unitized substances has been made or accepted 3
4 on unitized land during said initial term or any extension thereof, in which 4
5 event the agreement shall remain in effect for such term and so long as 5
6 unitized substances can be produced in quantities sufficient to pay for the 6
7 cost of producing same from wells on unitized land within any participating 7
8 area established hereunder and, should production cease, so long thereafter as 8
9 diligent operations are in progress for the restoration of production or dis- 9
10 covery of new production and so long thereafter as unitized substances so dis- 10
11 covered can be produced as aforesaid, or 11
12 (d) it is terminated as heretofore provided in this agreement. This 12
13 agreement may be terminated at any time by not less than 75 per centum, on an 13
14 acreage basis, of the working-interest owners signatory hereto, with the approval 14
15 of the Supervisor and the Land Commissioner; notice of any such approval to be 15
16 given by the Unit Operator to all parties hereto. 16
17 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 17
18 hereby vested with authority to alter or modify from time to time in his 18
19 discretion the quantity and rate of production under this agreement when such 19
20 quantity and rate is not fixed pursuant to Federal or State law or does not 20
21 conform to any statewide voluntary conservation or allocation program, which 21
22 is established, recognized, and generally adhered to by the majority of oper- 22
23 ators in such State, such authority being hereby limited to alteration or 23
24 modification in the public interest, the purpose thereof and the public interest 24
25 to be served thereby to be stated in the order of alteration or modification. 25
26 Without regard to the foregoing, the Director is also hereby vested with 26
27 authority to alter or modify from time to time in his discretion the rate of 27
28 prospecting and development and the quantity and rate of production under this 28
29 agreement when such alteration or modification is in the interest of attaining 29
30 the conservation objectives stated in this agreement and is not in violation of 30
31 any applicable Federal or State law. 31
32 Powers in this section vested in the Director shall only be exercised after 32
33 notice to Unit Operator and opportunity for hearing to be held not less than 15 33
34 days from notice. 34

1 22. APPEARANCES. Unit Operator shall, after notice to other parties 1
2 affected, have the right to appear for and on behalf of any and all interests 2
3 affected hereby before the Department of the Interior and the Commissioner of 3
4 Public Lands and to appeal from orders issued under the regulations of said 4
5 Department or Land Commissioner or to apply for relief from any of said 5
6 regulations or in any proceedings relative to operations before the Department 6
7 of the Interior or the Land Commissioner or any other legally constituted 7
8 authority; provided, however, that any other interested party shall also have 8
9 the right at his own expense to be heard in any such proceeding. 9

10 23. NOTICES. All notices, demands, or statements required hereunder to be 10
11 given or rendered to the parties hereto shall be deemed fully given if given 11
12 in writing and personally delivered to the party or sent by postpaid registered 12
13 or certified mail, addressed to such party or parties at their respective 13
14 addresses set forth in connection with the signatures hereto or to the ratifi- 14
15 cation or consent hereof or to such other address as any such party may have 15
16 furnished in writing to party sending the notice, demand or statement. 16

17 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall 17
18 be construed as a waiver by any party hereto of the right to assert any legal 18
19 or constitutional right or defense as to the validity or invalidity of any 19
20 law of the State wherein said unitized lands are located, or of the United 20
21 States, or regulations issued thereunder in any way affecting such party, or as 21
22 a waiver by any such party of any right beyond his or its authority to waive. 22

23 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring 23
24 the Unit Operator to commence or continue drilling or to operate on or produce 24
25 unitized substances from any of the lands covered by this agreement shall be 25
26 suspended while the Unit Operator despite the exercise of due care and dili- 26
27 gence, is prevented from complying with such obligations, in whole or in part, 27
28 by strikes, acts of God, Federal, State, or municipal law or agencies, unavoi- 28
29 dable accidents, uncontrollable delays in transportation, inability to obtain 29
30 necessary materials in open market, or other matters beyond the reasonable 30
31 control of the Unit Operator whether similar to matters herein enumerated or 31
32 not. No unit obligation which is suspended under this section shall become 32
33 due less than thirty (30) days after it has been determined that the suspension 33
34 is no longer applicable. Determination of creditable "Unavoidable Delay" time 34
35 shall be made by the unit operator subject to approval of the Supervisor and the 35
36 Land Commissioner. 36

1 26. NONDISCRIMINATION. In connection with the performance of work 1
2 under this agreement, the operator agrees to comply with all the provisions 2
3 of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), 3
4 as amended, which are hereby incorporated by reference in this agreement. 4

5 27. LOSS OF TITLE. In the event title to any tract of unitized land 5
6 shall fail and the true owner cannot be induced to join in this unit agreement, 6
7 such tract shall be automatically regarded as not committed hereto and there 7
8 shall be such readjustment of future costs and benefits as may be required on 8
9 account of the loss of such title. In the event of a dispute as to title as to 9
10 any royalty, working interest, or other interests subject thereto, payment or 10
11 delivery on account thereof may be withheld without liability for interest until 11
12 the dispute is finally settled; provided, that, as to Federal and State land or 12
13 leases, no payments of funds due the United States or the State of New Mexico 13
14 should be withheld, but such funds shall be deposited as directed by the Super- 14
15 visor and such funds of the State of New Mexico shall be deposited as directed 15
16 by the Land Commissioner, to be held as unearned money pending final settlement 16
17 of the title dispute, and then applied as earned or returned in accordance with 17
18 such final settlement. 18

19 Unit Operator as such is relieved from any responsibility for any defect 19
20 or failure of any title hereunder. 20

21 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 21
22 interest in a tract within the unit area fails or refuses to subscribe or 22
23 consent to this agreement, the owner of the working interest in that tract may 23
24 withdraw said tract from this agreement by written notice delivered to the Super- 24
25 visor and the Land Commissioner and the Unit Operator prior to the approval of 25
26 this agreement by the Supervisor. Any oil or gas interests in lands within the 26
27 unit area not committed hereto prior to submission of this agreement for final 27
28 approval may thereafter be committed hereto by the owner or owners thereof sub- 28
29 scribing or consenting to this agreement, and, if the interest is a working 29
30 interest, by the owner of such interest also subscribing to the unit operating 30
31 agreement. After operations are commenced hereunder, the right of subsequent 31
32 joinder, as provided in this section, by a working-interest owner is subject to 32
33 such requirements or approvals, if any, pertaining to such joinder, as may be 33
34 provided for in the unit operating agreement. After final approval hereof, 34
35 joinder by a non-working interest owner must be consented to in writing by the 35

1 working-interest owner committed hereto and responsible for the payment of any 1
2 benefits that may accrue hereunder in behalf of such non-working interest. A 2
3 non-working interest may not be committed to this unit unless the corresponding 3
4 working interest is committed hereto. Joinder to the unit agreement by a 4
5 working-interest owner, at any time, must be accompanied by appropriate joinder 5
6 to the unit operating agreement, if more than one committed working-interest 6
7 owner is involved, in order for the interest to be regarded as committed to this 7
8 unit agreement. Except as may otherwise herein be provided, subsequent joinders 8
9 to this agreement shall be effective as of the first day of the month following 9
10 the filing with the Supervisor and the Land Commissioner of duly executed 10
11 counterparts of all or any papers necessary to establish effective commitment 11
12 of any tract to this agreement unless objection to such joinder is duly made 12
13 within sixty (60) days by the Supervisor and the Land Commissioner. 13

14 29. COUNTERPARTS. This agreement may be executed in any number of 14
15 counterparts no one of which needs to be executed by all parties or may be 15
16 ratified or consented to by separate instruments in writing specifically refer- 16
17 ring hereto and shall be binding upon all those parties who have executed such 17
18 a counterpart, ratification, or consent, hereto with the same force and effect 18
19 as if all such parties had signed the same document and regardless of whether 19
20 or not it is executed by all other parties owning or claiming an interest in the 20
21 lands within the above-described unit area. 21

22 30. NO PARTNERSHIP. It is expressly agreed that the relation of the parties 22
23 hereto is that of independent contractors and nothing in this agreement contained 23
24 expressed or implied, nor any operations conducted hereunder, shall create or be 24
25 deemed to have created a partnership or association between the parties hereto or 25
26 any of them. 26

27 31. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working- 27
28 interest owners, nor any of them, shall be subject to any forfeiture, termination, 28
29 or expiration of any right hereunder or under any leases or contracts subject 29
30 hereto, or to any penalty or liability on account of delay or failure in whole 30
31 or in part to comply with any applicable provisions thereof to the extent that 31
32 the said Unit Operator or the working-interest owners, or any of them, are 32
33 hindered, delayed, or prevented from complying therewith by reason of failure of 33
34 the Unit Operator to obtain, in the exercise of due diligence, the concurrence 34
35 proper representatives of the United States and proper representatives of the 35

1 State of New Mexico in and about any matters or things concerning which it 1
2 is required herein that such concurrence be obtained. The parties hereto, 2
3 including the State Commission, agree that all powers and authority vested 3
4 in the State Commission in and by any provisions of this agreement are 4
5 vested in the State Commission and shall be exercised by it pursuant to the 5
6 provisions of the laws of the State of New Mexico and subject in any case to 6
7 appeal or judicial review as may now or hereafter be provided by the laws of 7
8 the State of New Mexico. 8
9 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 9
10 executed and have set opposite their respective names the date of execution. 10

ATTEST:

Therese Kroll
Secretary

MARALO, INC.

BY: *Mary Ralph Lowe*

PRESIDENT

THE STATE OF TEXAS X

COUNTY OF BLANCO X

The foregoing instrument was acknowledged before me this 26th day of
MAY, 1975, by MARY RALPH LOWE
who is ----- President of Maralo, Inc., a Texas Corporation, for and
on behalf of said Corporation.

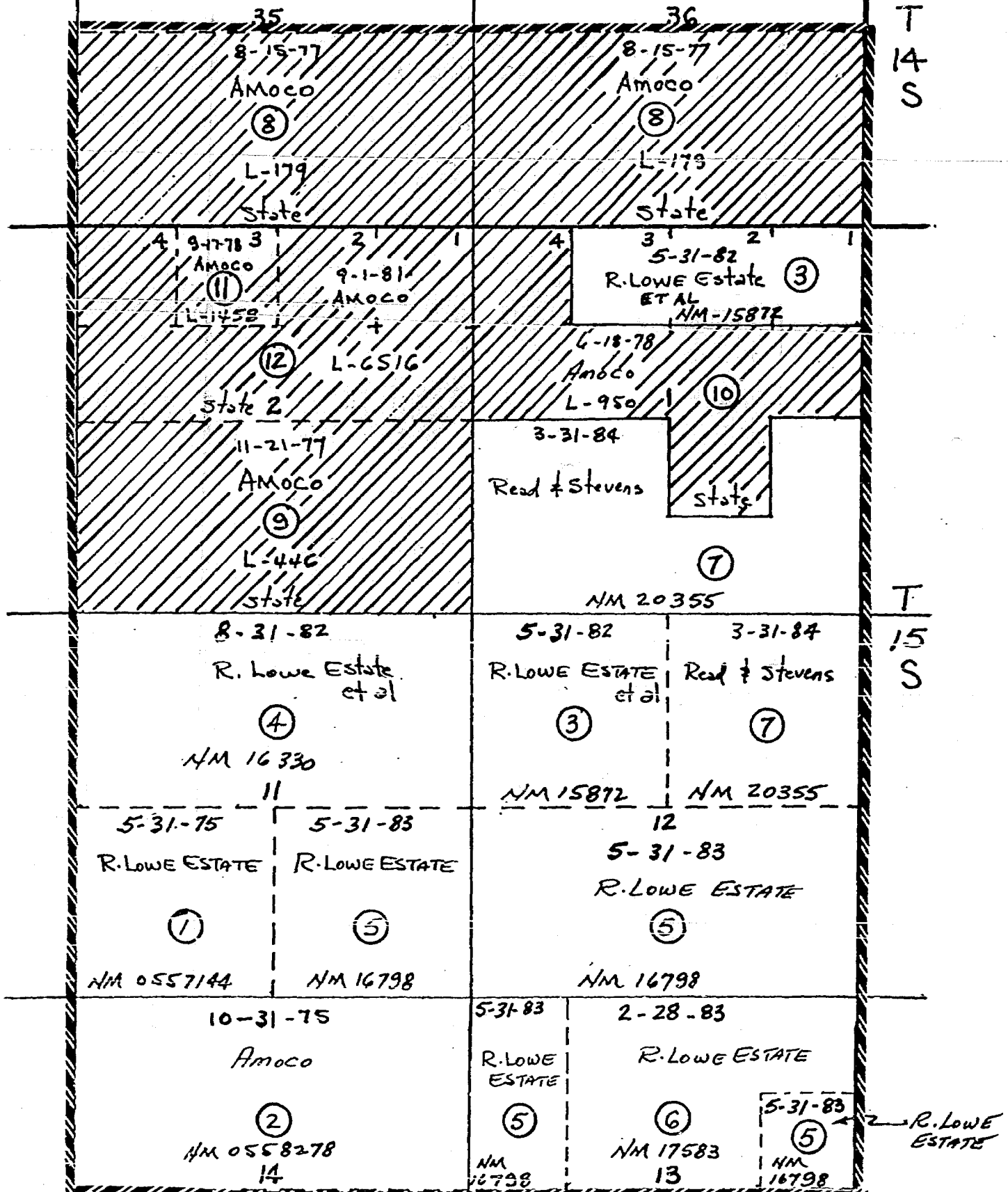
Patsy Haley (Patsy Haley)
Notary Public in and for Blanco
County, Texas

My Commission Expires:


6-1-75

EXHIBIT "A"

Butler Springs Unit
Chaves County,
New Mexico
Marolo, Inc. - Operator



1520.80 Acres  STATE ACREAGE - 39.59%

2320.52 Acres  FEDERAL ACREAGE - 60.41%

3841.32 100.00%

R28E

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES
BUTLER SPRINGS UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO
PAGE 1

CHAVES COUNTY, NEW MEXICO				OVERRIDING ROYALTY		WORKING INTEREST	
PAGE 1				OWNER		OWNER	
BASIC ROYALTY		LESSEE OF RECORD		AND PERCENTAGE		AND PERCENTAGE	
TRACT NO.	DESCRIPTION OF LAND	SERIAL NO. & EXP. DATE OF LEASES	NUMBER OF ACRES	OWNERSHIP PERCENTAGE	OWNER	AND PERCENTAGE	OWNER
TOWNSHIP 15 SOUTH, RANGE 28 EAST							
1	Sec.11: SW/4	NM-0557144 5-31-75	160.00	USA	Estate of Ralph Lowe	Thelma F.DeSmet: 4% Lowe:	100%
2	Sec.14: N/2	NM-0558278 10-31-75	320.00	USA	Amoco Production Company	None Amoco:	100%
3	Sec. 1: Lots 1,2,3	NM-15872 5-31-82	280.52	USA	Estate of Ralph Lowe, et al	A.Lansdale: 5% Lowe:	100%
4	Sec.12: NW/4 Sec.11: N/2	NM-16330 8-31-82	320.00	USA	Estate of Ralph Lowe, et al	Panos Investment Company: 5% Lowe:	100%
5	Sec.11: SE/4 Sec.12: S/2	NM-16798 5-31-83	600.00	USA	Estate of Ralph Lowe	Mildred Unruh: 5% Lowe:	100%
6	Sec.13: W/2 NW/4 & SE/4 NE/4 Sec.13: E/2 NW/4, W/2 NE/4, NE/4 NE/4	NM-17583 2-28-83	200.00	USA	Estate of Ralph Lowe	M.N.Hahn: 2% Lowe: C.E.Strange: 2%	100%

51
RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, have been executed as of the 1st day of May, 1975, by various persons conducting operations with respect to the Butler Springs Unit Area located in Chaves County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: May 24, 1975

Erma Lowe

ERMA LOWE, Individually and for the Ralph Lowe Estate as Independent Executrix and sole and only remaining legal representative of said estate

ATTEST:
Helen Kraus, Sec.

M. RALPH LOWE, INC.

BY:

Mary Ralph Lowe
MARY RALPH LOWE, President

Address: Suite 130, 2200 West Loop South
Houston, Texas 77027

THE STATE OF TEXAS I
Blanco
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 26th day of May, 1975, by MARY RALPH LOWE, PRESIDENT of M. RALPH LOWE, Inc., a corporation, on behalf of said corporation.

My Commission Expires:
June 1, 1975

Patsy Haley (Patsy Haley)
Notary Public in and for ~~Harris~~ Blanco County, Texas

THE STATE OF TEXAS I
COUNTY OF BLANCO I

The foregoing instrument was acknowledged before me this 24th day of May, 1975, by ERMA LOWE, Individually and for the Ralph Lowe Estate as Independent Executrix and sole and only remaining legal representative of said estate.

My Commission Expires:
June 1, 1975

Patsy Haley (Patsy Haley)
Notary Public in and for Blanco County, Texas

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, have been executed as of the 1st day of May, 1975, by various persons conducting operations with respect to the Butler Springs Unit Area located in Chaves County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

ATTEST:

[Signature]
Secretary

LOWE PETROLEUM COMPANY

BY: *[Signature]*
President

Date: 5 - 24 - 75

Address: _____

THE STATE OF TEXAS I

COUNTY OF BLANCO I

The foregoing instrument was acknowledged before me this 24th day of May, 1975, by ERMA LOWE of LOWE PETROLEUM COMPANY a corporation, on behalf of said corporation.

[Signature] (Patsy Haley)
Notary Public in and for Blanco
County, Texas.

My Commission Expires:

6-1-75

THE STATE OF I

COUNTY OF I

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____.

Notary Public in and for _____
County, _____

My Commission Expires:

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, have been executed as of the 1st day of May, 1975, by various persons conducting operations with respect to the Butler Springs Unit Area located in Chaves County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: May 7, 1975
ATTEST:
John L. Anderson Jr.
Secretary

READ & STEVENS, INC.
By: Charles B. Read
President
Address: P. O. Box 2120
Roswell, New Mexico 88201

THE STATE OF NEW MEXICO I
COUNTY OF CHAVES I

The foregoing instrument was acknowledged before me this 7th day of May, 1975, by Charles B. Read, President of Read & Stevens, Inc. a corporation, on behalf of said corporation.

Sharon L. Verheij
Notary Public in and for Chaves
County, New Mexico

My Commission Expires:

May 8, 1978

THE STATE OF I
COUNTY OF I

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____.

Notary Public in and for _____
County, _____

My Commission Expires:

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, BUTLER SPRINGS UNIT, CHAVES COUNTY, NEW MEXICO, have been executed as of the 1st day of May, 1975, by various persons conducting operations with respect to the Butler Springs Unit Area located in Chaves County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: May 23, 1975

By AMOCO PRODUCTION COMPANY
[Signature]
Its Attorney in Fact AK

Address: P.O. Box 3092
Houston, Texas 77001

THE STATE OF Texas I
COUNTY OF Harris I

The foregoing instrument was acknowledged before me this 23 day of May, 1975, by C. N. MENNINGER Attorney-in-Fact of Amoco Production Company, a corporation, on behalf of said corporation.

Irene Haldas
Notary Public in and for Harris
County, Texas

My Commission Expires:

6-1-75

IRENE HALDAS
Notary Public in and for Harris County, Texas

THE STATE OF _____ I
COUNTY OF _____ I

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____.

Notary Public in and for _____
County, _____

My Commission Expires:

CASE 5470

Page..... 1

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
14 May 1975

IN THE MATTER OF:

Application of Maralo, Inc. for a unit
agreement, Chaves County, New Mexico.
Applicant, in the above styled cause,
seeks approval for the Butler Springs
Unit Area comprising 3841 acres, more
or less, of state and federal lands
in Townships 14 and 15 South, Range
28 East, Chaves County, New Mexico.

NO. 5470

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil
Conservation Commission:

William P. Carr, Esq.
Legal Counsel for the Com-
mission

State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant,
Maralo, Inc.:

Paul Eaton, Esq.
HINKLE, BONDURANT, COX & EATON
Roswell, New Mexico

I N D E X

Testimony of Kenneth Griffin

Direct Examination by Mr. Eaton 3

Questions by Mr. Nutter 6

Testimony of Everett Sharpe

Direct Examination by Mr. Eaton 7

Questions by Mr. Nutter 9

E X H I B I T S

EXHIBIT ONE, Maralo 11

Exhibit Two, Maralo 11

MR. NUTTER: Case 5470.

MR. CARR: Case 5470. Application of Maralo, Inc.
for a unit agreement, Chaves County, New Mexico.

MR. EATON: Paul Eaton of the firm of Hinkle, Bon-
durant, Cox and Eaton, appearing for the applicant and
we have two witnesses.

(Witnesses sworn.)

KENNETH H. GRIFFIN,

being called as a witness and being duly sworn

upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EATON:

Q Will you state your name?

A I am K. H. Griffin, firm of Griffin and Burnett,
Midland, Texas, acting as a consultant for Maralo, Incor-
porated.

Q What is your field of work?

A I am an independent land man specializing in
this instance in unitization work.

Q Have you previously testified before this Com-
mission in the past in that capacity?

A Yes, I have.

Q What does Maralo seek by its application?

A We propose to form a six section federal-state exploratory unit in Townships 14 and 15 South, Range 28 East, Chaves County, New Mexico. The six sections are not six even sections; they're squared out in half sections on the north and south; it comprises a total of 3,841.32 acres.

Q Mr. Griffin, do you have before you what has been marked for identification as Exhibit One and that is what, the unit agreement?

A Right. Exhibit One is the unit agreement to be used in connection with this unit.

Q And attached to the unit agreement are Exhibits A and B, is that correct?

A Correct.

Q And would you indicate what Exhibit A reflects?

A Exhibit A is a plat of the proposed unit area showing the ownership both as to fee and to lease hold. Exhibit B is a schedule of ownership in more detail.

Q Has this unit area, proposed unit area, been designated by the United States Geological Survey as logically subject to exploration and development?

A Yes.

Q Has it been informally approved by the Commissioner

of Public Lands?

A It has.

Q Has this form of unit agreement previously been approved by both of those bodies as well as by this Commission?

A Yes, it has. It follows the 1968 reprint.

Q Who is the designated unit operator?

A Maralo, Incorporated.

Q Are all formations --

A Yes, all formations are unitized.

Q What are the provisions as to the initial test well?

A The initial test well is to be commenced within six months from the date of the unit agreement and in actuality the well will be started this month.

Q What is the plan of development after the test well is --

A It has the standard provision of filing the plan of development for approval of both the supervisor and the commissioner, which each plan will provide for a six month period of time.

Q What is the present status of commitment to the unit agreement of the working interests?

A We do have one hundred percent sign-up or will have one hundred percent sign-up of working interest owners.

Q In your opinion is approval of the unit agreement in the interest of conservation? Will it prevent waste and protect correlative rights?

A Yes.

Q Was Exhibit Number One prepared by you?

A Yes.

MR. EATON: I have no further questions of this witness.

MR. NUTTER: Are there any questions of the witness?

(No response.)

QUESTIONS BY MR. NUTTER:

Q You say that the GS and State Land Office both have approved it?

A They both have given a tentative approval subject to the filing for final approval, yes, sir.

Q And you're anticipating a hundred percent working interest.

A Right, we do have a hundred percent agreement.

MR. NUTTER: If there are no further questions this witness may be excused.

EVERETT SHARPE,

being called as a witness and being duly sworn
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EATON:

Q Please state your name and by whom you're employed and in what capacity?

A I am Everett Sharpe and I'm employed by Maralo, Incorporated, as exploration manager.

Q Mr. Sharpe, have you previously testified before this Commission?

A No, sir.

Q Would you give us your educational background and your work experience?

A I have a Bachelor of Science degree in geology from Kansas State University; a Masters of Science degree in geology from Ohio State University. I've been employed with Atlantic Refining Company for nine years, including South Texas, Calgary, Canada, Libya, the Permian Basin, and Arizona area. I've been self-employed in the Permian Basin for two years and I've been with Maralo, Incorporated, predecessor of Ralph Low Estate, for seven years in the Permian Basin and South Texas.

Q Are you familiar with the proposed Butler Springs Unit area?

A Yes, sir.

MR. EATON: Are the witness' qualifications satisfactory?

MR. NUTTER: Yes, they are.

Q (By Mr. Eaton) I refer you to what's been marked for identification as Exhibit Number Two and ask you to state what that exhibit shows?

A This is a structure map on top of the Upper Pennsylvanian, showing the limit, a dip limit of the porosity in the Upper Pennsylvanian. All the wells in the area are shown with the drill stem test and log information. The unit outline is shown on that covering the prospective area.

Q Roughly where -- where is this Butler Springs area located with respect to any city or town in New Mexico?

A It's approximately fifteen miles east/southeast of Hagerman and about five miles, four miles, east of Buffalo Valley-Pennsylvanian Field.

Q What data did you use for this exhibit?

A Sub-surface data with, primarily, supplemented with some seismic, limited seismic information.

Q What is the primary objective of the test well?

A The primary objective will be the Upper Pennsylvanian.

Q Are there other prospective reservoirs?

A Yes, the other prospective reservoirs are the Queen Sand, the San Andres-Dolomite, and the basal Pennsylvanian-Morrow-Atoka Sands, which are productive in -- to the west of us.

Q Do you feel like those sands extend over the entire unit area?

A Yes, sir.

Q What considerations led to the selection of the proposed drill site?

A The structural position on the Upper Pennsylvanian, which is the primary objective, as well as the up dip limit of the porosity in the Upper Pennsylvanian.

Q Was Exhibit Number Two prepared by you?

A Yes, sir.

MR. EATON: I have no further questions.

MR. NUTTER: Mr. Sharpe?

A Sharpe.

QUESTIONS BY MR. NUTTER:

Q Mr. Sharpe, you say the primary objective is the

Upper Penn but you had also among other things considered the basal Penn as an objective?

A Yes, sir.

Q The unit agreement calls for a well to be drilled to a depth of no more than 9500 feet. Would this be sufficient to penetrate the basal Penn?

A Yes, sir.

Q And what is the proposed structure here that you're trusting on?

A This is a structural map, Exhibit Two?

Q Uh-huh.

A This is a structural map on the top of the Upper Pennsylvanian carbonate bank which goes across the area. That is a primary objective. There have been oil shows, a lot of porosities along this trend, and we hope to trap it in a favorable structural as well as stratigraphic position along this trend.

Q And the proposed location is in the southeast/southeast there of Section 2?

A Yes, sir, 660 from the south and east lines, yes, sir.

Q I see.

MR. NUTTER: Are there further questions of this wit-

ness?

(No response)

MR. NUTTER: You may be excused.

MR. EATON: We offer Exhibits One and Two into evidence.

MR. NUTTER: Maralo Exhibits One and Two will be admitted in evidence. Do you have anything further, Mr. Eaton?

MR. EATON: No, sir.

MR. NUTTER: Does anyone have anything further they wish to offer in Case Number 5470?

(No response.)

MR. NUTTER: We'll take the case under advisement.

(Hearing concluded.)

CASE 5470

Page..... 12.....

STATE OF NEW MEXICO)

) ss

REPORTER'S CERTIFICATE

COUNTY OF SANTA FE)

I, Sally Walton Boyd, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts as stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing 11 pages of typewritten matter, numbered 1 through 11 inclusive, is a full, true and correct transcript of my notes taken during the hearing.

WITNESS my hand this 21st day of May, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd
Sally Walton Boyd
Notary Public and General
Court Reporter

My Commission expires:

10 September 1975

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5470
heard by me on 5/14, 1975.

[Signature] Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

CASE 5470

Page 1

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
14 May 1975

IN THE MATTER OF:

Application of Maralo, Inc. for a unit
agreement, Chaves County, New Mexico.
Applicant, in the above styled cause,
seeks approval for the Butler Springs
Unit Area comprising 3841 acres, more
or less, of state and federal lands
in Townships 14 and 15 South, Range
28 East, Chaves County, New Mexico.

NO. 5470

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil
Conservation Commission:

William F. Carr, Esq.
Legal Counsel for the Com-
mission
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant,
Maralo, Inc.:

Paul Eaton, Esq.
HINKLE, BONDURANT, COX & EATON
Roswell, New Mexico

I N D E X

Testimony of Kenneth Griffin

Direct Examination by Mr. Eaton	3
Questions by Mr. Nutter	6

Testimony of Everett Sharpe

Direct Examination by Mr. Eaton	7
Questions by Mr. Nutter	9

E X H I B I T S

EXHIBIT ONE, Maralo	11
Exhibit Two, Maralo	11

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MR. EATON: Paul Eaton of the firm of Hinkle, Bon-
durant, Cox and Eaton, appearing for the applicant and
we have two witnesses.

(Witnesses sworn.)

KENNETH H. GRIFFIN,
being called as a witness and being duly sworn
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EATON:

Q Will you state your name?

A I am K. H. Griffin, firm of Griffin and Burnett,
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A We do have one hundred percent sign-up or will have one hundred percent sign-up of working interest owners.

Q In your opinion is approval of the unit agreement in the interest of conservation? Will it prevent waste and protect correlative rights?

A Yes.

Q Was Exhibit Number One prepared by you?

A Yes.

MR. EATON: I have no further questions of this witness.

MR. NUTTER: Are there any questions of the witness?

(No response.)

QUESTIONS BY MR. NUTTER:

Q You say that the GS and State Land Office both have approved it?

A They both have given a tentative approval subject to the filing for final approval, yes, sir.

Q And you're anticipating a hundred percent working interest.

A Right, we do have a hundred percent agreement.

MR. NUTTER: If there are no further questions this witness may be excused.

EVERETT SHARPE,

being called as a witness and being duly sworn
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EATON:

Q Please state your name and by whom you're employed and in what capacity?

A I am Everett Sharpe and I'm employed by Maralo, Incorporated, as exploration manager.

Q Mr. Sharpe, have you previously testified before this Commission?

A No, sir.

Q Would you give us your educational background and your work experience?

A I have a Bachelor of Science degree in geology from Kansas State University; a Masters of Science degree in geology from Ohio State University. I've been employed with Atlantic Refining Company for nine years, including South Texas, Calgary, Canada, Libya, the Permian Basin, and Arizona area. I've been self-employed in the Permian Basin for two years and I've been with Maralo, Incorporated, predecessor of Ralph Low Estate, for seven years in the Permian Basin and South Texas.

Q Are you familiar with the proposed Butler Springs Unit area?

A Yes, sir.

MR. EATON: Are the witness' qualifications satisfactory?

MR. NUTTER: Yes, they are.

Q (By Mr. Eaton) I refer you to what's been marked for identification as Exhibit Number Two and ask you to state what that exhibit shows?

A This is a structure map on top of the Upper Pennsylvanian, showing the limit, a dip limit of the porosity in the Upper Pennsylvanian. All the wells in the area are shown with the drill stem test and log information. The unit outline is shown on that covering the prospective area.

Q Roughly where -- where is this Butler Springs area located with respect to any city or town in New Mexico?

A It's approximately fifteen miles east/southeast of Hagerman and about five miles, four miles, east of Buffalo Valley-Pennsylvanian Field.

Q What data did you use for this exhibit?

A Sub-surface data with, primarily, supplemented with some seismic, limited seismic information.

Q What is the primary objective of the test well?

A The primary objective will be the Upper Pennsylvanian.

Q Are there other prospective reservoirs?

A Yes, the other prospective reservoirs are the Queen Sand, the San Andres-Dolomite, and the basal Pennsylvanian-Morrow-Atoka Sands, which are productive in -- to the west of us.

Q Do you feel like those sands extend over the entire unit area?

A Yes, sir.

Q What considerations led to the selection of the proposed drill site?

A The structural position on the Upper Pennsylvanian, which is the primary objective, as well as the up dip limit of the porosity in the Upper Pennsylvanian.

Q Was Exhibit Number Two prepared by you?

A Yes, sir.

MR. EATON: I have no further questions.

MR. NUTTER: Mr. Sharpe?

A Sharpe.

QUESTIONS BY MR. NUTTER:

Q Mr. Sharpe, you say the primary objective is the

Upper Penn but you had also among other things considered the basal Penn as an objective?

A Yes, sir.

Q The unit agreement calls for a well to be drilled to a depth of no more than 9500 feet. Would this be sufficient to penetrate the basal Penn?

A Yes, sir.

Q And what is the proposed structure here that you're trusting on?

A This is a structural map, Exhibit Two?

Q Uh-huh.

A This is a structural map on the top of the Upper Pennsylvanian carbonate bank which goes across the area. That is a primary objective. There have been oil shows, a lot of porosities along this trend, and we hope to trap it in a favorable structural as well as stratographic position along this trend.

Q And the proposed location is in the southeast/southeast there of Section 2?

A Yes, sir, 660 from the south and east lines, yes, sir.

Q I see.

MR. NUTTER: Are there further questions of this wit-

ness?

(No response)

MR. NUTTER: You may be excused.

MR. EATON: We offer Exhibits One and Two into evidence.

MR. NUTTER: Maralo Exhibits One and Two will be admitted in evidence. Do you have anything further, Mr. Eaton?

MR. EATON: No, sir.

MR. NUTTER: Does anyone have anything further they wish to offer in Case Number 5470?

(No response.)

MR. NUTTER: We'll take the case under advisement.

(Hearing concluded.)

CASE 5470

Page.....12.....

STATE OF NEW MEXICO)

) ss

REPORTER'S CERTIFICATE

COUNTY OF SANTA FE)

I, Sally Walton Boyd, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts as stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing 11 pages of typewritten matter, numbered 1 through 11 inclusive, is a full, true and correct transcript of my notes taken during the hearing.

WITNESS my hand this 21st day of May, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd
Notary Public and General
Court Reporter

My Commission expires:

10 September 1975

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5470 heard by me on 5/14, 1975.
[Signature] Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

Case 5470

GRIFFIN & BURNETT, INC.

KENNETH H. GRIFFIN
GARY G. BURNETT

Oil Properties

501 PETROLEUM BUILDING
MIDLAND, TEXAS 79701
915 683-2705

April 15, 1975

Re: File No. 3036
BUTLER SPRINGS UNIT
Chaves County, New Mexico

NEW MEXICO OIL CONSERVATION COMMISSION
State Land Office Building
Santa Fe, New Mexico

Gentlemen:

In behalf of Maralo, Inc. it is requested that the subject unit be included on the docket for the May 14, 1975, Examiner's Hearing.

This unit covers 3,841.32 acres, described as follows and is being formed for exploratory purposes:

TOWNSHIP 14 SOUTH, RANGE 28 EAST

Section 35: S/2
Section 36: S/2

TOWNSHIP 15 SOUTH, RANGE 28 EAST

Section 1: A11
Section 2: A11
Section 11: A11
Section 12: A11
Section 13: N/2
Section 14: N/2

The character of ownership is as follows:

	<u>ACRES</u>	<u>PERCENT</u>
USA	2,320.52	60.41
State of New Mexico	1,520.80	39.59
	3,841.32	100.00%

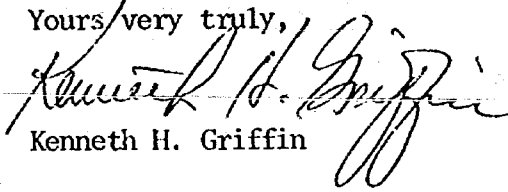
DOCKET MAILED

Date 5-2-75

Page Two

Please advise if any additional information is needed prior to the hearing.

Yours very truly,


Kenneth H. Griffin

KHG/gp

cc: Mr. Ben R. Kee
Maralo, Inc.
Suite 130, 2200 West Loop South
Houston, Texas 77027

Mr. Everett Sharp
Maralo, Inc.
Suite 130, 2200 West Loop South
Houston, Texas 77027

Mr. Paul W. Eaton, Jr.
Hinkle, Bondurant, Cox & Eaton
Hinkle Building
Roswell, New Mexico

Docket No. 11-75

Dockets Nos. 12-75 and 13-75 are tentatively set for hearing on May 28 and June 11, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 14, 1975

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner.

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico, for June, 1975.
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for June, 1975.

CASE 5429: (Continued from the March 5, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Charles M. Goad and United States Fidelity & Guaranty Company and all other interested parties to appear and show cause why the Charles M. Goad, State No. 1 Well located in Unit M of Section 28, Township 2 South, Range 26 East, De Baca County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5408: (Continued from the April 2, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit W. E. Medlock and Reliance Insurance Company and all other interested parties to appear and show cause why the Queen Ridge No. 1 Well located in Unit M of Section 36, Township 10 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5469: Application of Read & Stevens for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 990 feet from the South and East line of Section 7, Township 15 South, Range 28 East, Chaves County, New Mexico, in exception to the Buffalo Valley-Pennsylvanian Gas Pool Rules.

CASE 5470: Application of Maralo, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Butler Springs Unit Area comprising 3841 acres, more or less, of state and federal lands in Townships 14 and 15 South, Range 28 East, Chaves County, New Mexico.

- CASE 5471: Application of Union Texas Petroleum for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Justis Blinbry and Justis Tubb-Drinkard production in the wellbore of its Carlson "B" Wells Nos. 1 and 2 located in Unit P of Section 23 and Unit H of Section 26, respectively, Township 25 South, Range 37 East, Lea County, New Mexico.
- CASE 5472: Application of Mesa Petroleum Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 660 feet from the North and East line of Section 6, Township 26 South, Range 33 East, Red Hills Field, Lea County, New Mexico.
- CASE 5473: Application of Mesa Petroleum Co. for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Drinkard production for its West Knowles Well No. 1 located in Unit P of Section 34, Township 16 South, Range 37 East, Lea County, New Mexico, and for the promulgation of special rules therefore, including a provision for 80-acre spacing units.
- CASE 5474: Application of Gulf Oil Company for two non-standard locations and the amendment of Order Nos. R-2904 and R-2909, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Central Drinkard Unit Wells Nos. 101 and 401 located, respectively, 554 feet from the North line and 766 feet from the East line, and 660 feet from the North and East lines of Section 28, Township 21 South, Range 37 East, Drinkard Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2904 which order approved the Central Drinkard Unit Agreement to provide that the vertical limits of the unitized formation shall include the entire Drinkard formation; application further seeks the amendment of Order No. R-4909 which approved the Central Drinkard Unit Waterflood Project to provide an administrative procedure for the approval of additional unorthodox well locations.
- CASE 5475: Application of Mobil Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower Siluro-Devonian formation in the open-hole interval from 12,188 feet to 12,525 feet in its Santa Fe Pacific Well No. 9, located in Unit E of Section 35, Township 9 South, Range 36 East, Crossroads Siluro-Devonian Pool, Lea County, New Mexico.
- CASE 5476: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the NE/4 of Section 30, Township 22 South, Range 27 East, and in the Pennsylvanian formation underlying the E/2 of said Section 30, to be dedicated to a proposed gas well to be drilled at an orthodox location for both formations. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 5477: Application of Cities Service Oil Company for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said unit 1650 feet from the South line and 1980 feet from the West line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the application as operator of the well and a charge for the risk involved in drilling said well.

CASE 5478: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Warren Unit Well No. 31 located in Unit O of Section 27, Township 20 South, Range 38 East, Lea County, New Mexico, in such a manner as to produce oil from the Blinebry Oil and Gas Pool and oil from the Warren-Tubb Gas Pool through parallel strings of tubing.

CASE 5479: Application of Continental Oil Company for two non-standard gas proration units, two unorthodox locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a non-standard gas proration unit comprising Lots 1, 2, and 3 and Lots 6 through 11 of Section 4, Township 11 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its Meyer B-4 Well No. 14 located in Unit G of said Section 4. Applicant further seeks approval of a 360-acre Eumont Gas proration unit comprising Lots 14, 15, and 16 and the SE/4 and E/2 SW/4 of said Section 4 to be simultaneously dedicated to its Meyer B-4 Well No. 4 and 29 at unorthodox locations in Units S and P, respectively, of said Section 4.

CASE 5480: Application of Continental Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation through the perforated interval 7648 to 7690 feet in its SEMU Well No. 7 located in Unit F of Section 23, Township 20 South, Range 37 East, Cass-Pennsylvanian Gas Pool, Lea County, New Mexico.

CASE 5481: Application of Phillips Petroleum Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Carlsbad-Atoka and South Carlsbad-Morrow gas production in the wellbore of its Tidwell-A "COM" Well No. 1 located in Unit E of Section 8, Township 23 South, Range 27 East, Eddy County, New Mexico.

CASE 5482: Application of Phillips Petroleum Company for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Lusk Deep Unit "A" Well No. 1 located in Unit A of Section 19, Township 19 South, Range 32 East, Lusk-Morrow Gas Pool, Lea County, New Mexico, and the simultaneous dedication of said Section 19 to the above well and to applicant's Lusk Deep Unit "A" Well No. 5 located in Unit J of said Section 19.

CASE 5483: Application of Phillips Petroleum Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to dually complete its Lusk Deep Unit "A" Well No. 12 located in Unit G of Section 20, Township 19 South, Range 32 East, Lusk Field, Lea County, New Mexico, in such a manner as to produce oil from the Wolfcamp formation through the casing-tubing annulus and gas from the Lusk-Morrow Gas Pool through tubing.

CASE 5484: Southeastern New Mexico nomenclature case calling for the creation and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico and for the assignment of certain oil well discovery allowables.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the East Carlsbad-Wolfcamp Gas Pool. The discovery well is the Champlin Petroleum Co. Nix-Yates Well No. 1, located in Unit G of Section 2, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 36: SW/4

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 1: NW/4
Section 2: NE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Cemetery-Wolfcamp Gas Pool. The discovery well is the Read & Stevens, Inc. Allirish Well No. 1, located in Unit P of Section 30, Township 20 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 30: SE/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Crooked Creek-Strawn Gas Pool. The discovery well is the C & K Petroleum Inc. Lowe State Well No. 1, located in Unit C of Section 16, Township 24 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 16: N/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the Dickenson-San Andres Pool. The discovery well is the Hanson Oil Corporation Santa Fe Well No. 1, located in Unit F of Section 35, Township 10 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM
Section 35: NW/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Golden Lane-Atoka Gas Pool. The discovery well is the Meadco Properties Ltd. Harris 6 Well No. 1, located in Unit I of Section 6, Township 21 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Section 6: Lots 1, 2, 7, 8, 9, 10, 15, and 16

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Grayburg-Atoka Gas Pool. The discovery well is the Horizon Oil & Gas Co. of Texas State 28 Com Well No. 2, located in Unit K of Section 28, Township 17 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 28: S/2

Section 29: E/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Premier production and designated as the High Nitro-Premier Gas Pool. The discovery well is the McClellan Oil Corporation Hinkle Federal Well No. 1, located in Unit A of Section 9, Township 16 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 3: SW/4

Section 4: SE/4

Section 9: NE/4

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Hoag Tank-Morrow Gas Pool. The discovery well is the Yates Petroleum Corporation Allison CQ Federal Well No. 1, located in Unit P of Section 22, Township 19 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 22: E/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the N. W. Indian Basin-Morrow Gas Pool. The discovery well is the Charles A. Dean Northwest Indian Basin Well No. 1Y, located in Unit K of Section 28, Township 20 South, Range 23 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM

Section 28: W/2

(j) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the Lonesome-San Andres Pool. The discovery well is the Phillips Petroleum Company Luther A Well No. 1 located in Unit N of Section 18, Township 8 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM

Section 18: SW/4

(k) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the South Rocky Arroyo-Wolfcamp Gas Pool. The discovery well is the El Paso Natural Gas Co. Patterson A Well No. 1, located in Unit N of Section 20, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 20: SW/4

(l) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Sheep Draw-Atoka Gas Pool. The discovery well is the Hanagan Petroleum Corp. Mary Federal Well No. 1, located in Unit H of Section 11, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 11: E/2

(m) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Sheep Draw-Morrow Gas Pool. The discovery well is the Hanagan Petroleum Corp. Mary Federal Well No. 1 located in Unit H of Section 11, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 11: E/2
Section 12: W/2

(n) CREATE a new pool in Lea County, New Mexico, classified as an oil pool and designated as the Shipp-Drinkard Pool and assign 41,650 barrels of discovery allowable to the discovery well, the Mesa Petroleum Company West Knowles Well No. 1, located in Unit P of Section 34, Township 16 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 34: SE/4

(o) EXTEND the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 2: All

(p) EXTEND the North Benson Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 32: N/2 NE/4

(q) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 27: SE/4

(r) EXTEND the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 3: N/2

(s) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 18: N/2

(t) EXTEND the South Carlsbad-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 3: W/2
Section 11: All

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
Section 8: All
Section 17: N/2

(u) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 16: S/2

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 1: W/2

(v) ESTABLISH a discovery allowable in the Casey-Strawn Pool in Lea County, New Mexico, and assign 56,630 barrels of discovery allowable to the discovery well, the C & K Petroleum, Inc. Shipp "27" Well No. 1, located in Unit O of Section 27, Township 16 South, Range 37 East, NMPM.

(w) EXTEND the Cerca-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM
Section 27: S/2 and NE/4

(x) EXTEND the East Chisum San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 28 EAST, NMPM
Section 16: NE/4 NE/4

(y) EXTEND the Double L Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM
Section 23: NE/4

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM
Section 32: N/2 and SW/4

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 17: N/2

(z) EXTEND the Double X-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM
Section 27: NE/4

(aa) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 36: SW/4

(bb) EXTEND the East Empire Yates Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 34: W/2 NE/4

(cc) EXTEND the Kennedy Farms-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 22: E/2

(dd) EXTEND the Penasco Draw-San Andres-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 30: NW/4 SW/4

(ee) EXTEND the Ranger Lake-Bough Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM
Section 23: SW/4

(ff) EXTEND the Rock Tank-Lower Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 18: All

(gg) EXTEND the Round Tank San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
Section 31: NW/4 NW/4

(hh) EXTEND the vertical limits of the Sand Hills-San Andres Pool in Lea County, New Mexico, to include the Grayburg formation.

(ii) EXTEND the Sulimar Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 18: SW/4 SW/4

(jj) EXTEND the Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 5: SW/4

(kk) EXTEND the Turkey Track Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 32: NE/4 NE/4

UNIT AGREEMENT
BUTLER SPRINGS UNIT
CHAVES COUNTY, NEW MEXICO

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BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Ceppl EXHIBIT NO. 1
CASE NO. 5470

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
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1	UNIT AGREEMENT	1
2	FOR THE DEVELOPMENT AND OPERATION	2
3	OF THE	3
4	BUTLER SPRINGS UNIT AREA	4
5	COUNTY OF CHAVES	5
6	STATE OF NEW MEXICO	6
7	NO. _____	7
8	THIS AGREEMENT, entered into as of the <u>1st</u> day of <u>May</u> ,	8
9	1975 by and between the parties subscribing, ratifying, or consenting hereto,	9
10	and herein referred to as the "parties hereto,"	10
11	W I T N E S S E T H :	11
12	WHEREAS, the parties hereto are the owners of working royalty, or other	12
13	oil and gas interests in the unit area subject to this agreement; and	13
14	WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as	14
15	amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their	15
16	representatives to unite with each other, or jointly or separately with others,	16
17	in collectively adopting and operating a cooperative or unit plan of develop-	17
18	ment or operation of any oil or gas pool, field, or like area, or any part thereof	18
19	for the purpose of more properly conserving the natural resources thereof when-	19
20	ever determined and certified by the Secretary of the Interior to be necessary	20
21	or advisable in the public interest; and	21
22	WHEREAS, the Commissioner of Public Lands of the State of New Mexico	22
23	is authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953	23
24	Annotated) to consent to or approve this agreement on behalf of the State of	24
25	New Mexico, insofar as it covers and includes lands and mineral interest of the	25
26	State of New Mexico; and,	26
27	WHEREAS, the Oil Conservation Commission of the State of New Mexico is	27
28	authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended	28
29	by Chapter 193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws	29
30	of 1949) to approve this agreement and the conservation provisions hereof; and,	30
31	WHEREAS, the parties hereto hold sufficient interests in the <u>Butler</u>	31
32	<u>Springs</u> Unit Area covering the land hereinafter described to give	32
33	reasonably effective control of operations therein; and	33
34	WHEREAS, it is the purpose of the parties hereto to conserve natural	34

1 resources, prevent waste, and secure other benefits obtainable through develop- 1
2 ment and operation of the area subject to this agreement under the terms, 2
3 conditions, and limitations herein set forth; 3
4 NOW, THEREFORE, in consideration of the premises and the promises herein 4
5 contained, the parties hereto commit to this agreement their respective interests 5
6 in the below-defined unit area, and agree severally among themselves as follows: 6
7 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 7
8 1920, as amended, supra, and all valid pertinent regulations, including operating 8
9 and unit plan regulations, heretofore issued thereunder or valid, pertinent, and 9
10 reasonable regulations hereafter issued thereunder are accepted and made a part of 10
11 this agreement as to Federal lands, provided such regulations are not inconsistent 11
12 with the terms of this agreement; and as to non-Federal lands, the oil and gas 12
13 operating regulations in effect as of the effective date hereof governing, drilling 13
14 and producing operations, not inconsistent with the terms hereof or the laws of the 14
15 State in which the non-Federal land is located, are hereby accepted and made a part 15
16 of this agreement. 16
17 2. UNIT AREA. The following described land is hereby designated and recog- 17
18 nized as constituting the unit area: 18
19 TOWNSHIP 14 SOUTH, RANGE 28 EAST, N.M.P.M. 19
20 Section 35: S/2 Section 36: S/2 20
21 TOWNSHIP 15 SOUTH, RANGE 28 EAST, N.M.P.M. 21
22 Section 1: All Section 12: All 22
23 Section 2: All Section 13: N/2
24 Section 11: All Section 14: N/2
25 containing 3,841.32 acres, more or less 23
26 Exhibit "A" attached hereto is a map showing the unit area and the boundaries 24
27 and identity of tracts and leases in said area to the extent known to the Unit 25
28 Operator. Exhibit "B" attached hereto is a schedule showing to the extent 26
29 known to the Unit Operator the acreage, percentage, and kind of ownership of 27
30 oil and gas interests in all land in the unit area. However, nothing herein 28
31 or in said schedule or map shall be construed as a representation by any party 29
32 hereto as to the ownership of any interest other than such interest or interests 30
33 as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" 31
34 shall be revised by the Unit Operator whenever changes in the unit area render 32
35 such revision necessary when requested by the Oil and Gas Supervisor, hereinafter 33
36 referred to as "Supervisor", or when requested by the Commissioner of Public 34
37 Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," 35

1 and not less than five (5) copies of the revised Exhibits shall be filed with 1
2 the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, 2
3 and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter 3
4 referred to as "State Commission." 4

5 The above-described unit area shall, when practicable, be expanded to 5
6 include therein any additional lands or shall be contracted to exclude lands 6
7 whenever such expansion or contraction is deemed to be necessary or advisable 7
8 to conform with the purposes of this agreement. Such expansion or contraction 8
9 shall be effected in the following manner: 9

10 (a) Unit Operator, on its own motion or on demand of the Director of the 10
11 Geological Survey, hereinafter referred to as "Director," or on demand of the 11
12 Land Commissioner, after preliminary concurrence by the Director, shall prepare 12
13 a notice of proposed expansion or contraction describing the contemplated changes 13
14 in the boundaries of the unit area, the reasons therefor, and the proposed 14
15 effective date thereof, preferably, the first day of a month subsequent to the 15
16 date of notice. 16

17 (b) Said notice shall be delivered to the Supervisor, the Land Commissioner 17
18 and the State Commission, and copies thereof mailed to the last known address 18
19 of each working-interest owner, lessee, and lessor whose interests are affected, 19
20 advising that thirty (30) days will be allowed for submission to the Unit 20
21 Operator of any objections. 21

22 (c) Upon expiration of the 30-day period provided in the preceding item 22
23 (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner, 23
24 and the State Commission, evidence of mailing of the notice of expansion or con- 24
25 traction and a copy of any objections thereto which have been filed with the 25
26 Unit Operator, together with an application in sufficient number, for approval 26
27 of such expansion or contraction and with appropriate joinders. 27

28 (d) After due consideration of all pertinent information, the expansion 28
29 or contraction shall, upon approval by the Supervisor, the Land Commissioner, 29
30 become effective as of the date prescribed in the notice thereof. 30

31 (e) All legal subdivisions of lands (i.e., 40 acres by Government survey 31
32 or its nearest lot or tract equivalent; in instances of irregular surveys 32
33 unusually large lots or tracts shall be considered in multiples of 40 acres or 33
34 the nearest aliquot equivalent thereof), no parts of which are entitled to be 34
35 in a participating area on or before the fifth anniversary of the effective 35
36 date of the first initial participating area established under this unit 36
37 agreement, shall be eliminated automatically from this agreement, effective as 37

1 of said fifth anniversary, and such lands shall no longer be a part of the 1
2 unit area and shall no longer be subject to this agreement, unless diligent 2
3 drilling operations are in progress on unitized lands not entitled to partici- 3
4 pation on said fifth anniversary, in which event all such lands shall remain 4
5 subject hereto for so long as such drilling operations are continued diligently, 5
6 with not more than 90 days' time elapsing between the completion of one such 6
7 well and the commencement of the next such well. All legal subdivisions of 7
8 lands not entitled to be in a participating area within 10 years after the 8
9 effective date of the first initial participating area approved under this 9
10 agreement shall be automatically eliminated from this agreement as of said 10
11 tenth anniversary. All lands proved productive by diligent drilling operations 11
12 after the aforesaid five-year period shall become participating in the same 12
13 manner as during said five-year period. However, when such diligent drilling 13
14 operations cease, all non-participating lands shall be automatically eliminated 14
15 effective as of the 91st day thereafter. The unit operator shall within 90 days 15
16 after the effective date of any elimination hereunder, describe the area so 16
17 eliminated to the satisfaction of the Supervisor and the Land Commissioner and 17
18 promptly notify all parties in interest. 18

19 If conditions warrant extension of the ten-year period specified in this 19
20 subsection 2 (e), a single extension of not to exceed two years may be accom- 20
21 plished by consent of the owners of 90% of the working interests in the current 21
22 non-participating unitized lands and the owners of 60% of the basic royalty 22
23 interests (exclusive of the basic royalty interests of the United States) in non- 23
24 participating unitized lands with approval of the Director and Land Commissioner, 24
25 provided such extension application is submitted to the Director and the Land 25
26 Commissioner not later than 60 days prior to the expiration of said ten-year 26
27 period. 27

28 Any expansion of the unit area pursuant to this section which embraces 28
29 lands theretofore eliminated pursuant to this subsection 2 (e) shall not be 29
30 considered automatic commitment or recommitment of such lands. 30

31 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 31
32 agreement shall constitute land referred to herein as "unitized land" or "land 32
33 subject to this agreement." All oil and gas in any and all formations of the 33
34 unitized land are unitized under the terms of this agreement and herein are 34
35 called "unitized substances." 35

36 4. UNIT OPERATOR. MARALO, INC. 36
37 is hereby designated as Unit Operator and by signature hereto as Unit Operator 37

1 agrees and consents to accept the duties and obligations of Unit Operator for 1
2 the discovery, development, and production of unitized substances as herein 2
3 provided. Whenever reference is made herein to the Unit Operator, such reference 3
4 means the Unit Operator acting in the capacity and not as an owner of interest 4
5 in unitized substances, and the term "working-interest owner" when used shall 5
6 include or refer to Unit Operator as the owner of a working interest when such 6
7 an interest is owned by it. 7

8 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the 8
9 right to resign at any time prior to the establishment of a participating area 9
10 or areas hereunder, but such resignation shall not become effective so as to 10
11 release Unit Operator from the duties and obligations of Unit Operator and 11
12 terminate Unit Operator's rights as such for a period of six (6) months after 12
13 notice of intention to resign has been served by Unit Operator on all working- 13
14 interest owners and the Supervisor and the Land Commissioner, and until all wells 14
15 then drilled hereunder are placed in a satisfactory condition for suspension or 15
16 abandonment whichever is required by the Supervisor as to Federal lands and the 16
17 State Commission as to State lands, unless a new Unit Operator shall have been 17
18 selected and approved and shall have taken over and assumed the duties and 18
19 obligations of Unit Operator prior to the expiration of said period. 19

20 Unit Operator shall have the right to resign in like manner and subject to 20
21 like limitations as above provided at any time a participating area established 21
22 hereunder is in existence, but, in all instances of resignation or removal, until 22
23 a successor unit operator is selected and approved as hereinafter provided, the 23
24 working-interest owners shall be jointly responsible for performance of the 24
25 duties of unit operator, and shall not later than 30 days before such resigna- 25
26 tion or removal becomes effective appoint a common agent to represent them in any 26
27 action to be taken hereunder. 27

28 The resignation of Unit Operator shall not release Unit Operator from any 28
29 liability for any default by it hereunder occurring prior to the effective date 29
30 of its resignation. 30

31 The Unit Operator may, upon default or failure in the performance of its 31
32 duties or obligations hereunder, be subject to removal by the same percentage 32
33 vote of the owners of working interests as herein provided for the selection 33
34 of a new Unit Operator. Such removal shall be effective upon notice thereof 34
35 to the Supervisor and the Land Commissioner. 35

1 The resignation or removal of Unit Operator under this agreement shall 1
2 not terminate its right, title, or interest as the owner of a working interest 2
3 or other interest in unitized substances, but upon the resignation or removal 3
4 of Unit Operator becoming effective, such Unit Operator shall deliver possession 4
5 of all wells, equipment, materials, and appurtenances used in conducting the 5
6 unit operations to the new duly qualified successor Unit Operator or to the 6
7 common agent, if no such new Unit Operator is elected, to be used for the purpose 7
8 of conducting unit operations hereunder. Nothing herein shall be construed as 8
9 authorizing removal of any material, equipment, and appurtenances needed for 9
10 the preservation of any wells. 10

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 11
12 or its resignation as Unit Operator or shall be removed as hereinabove provided, 12
13 or a change of Unit Operator is negotiated by working-interest owners, the owners 13
14 of the working interests in the participating area or areas according to their 14
15 respective acreage interests in such participating area or areas, or until a 15
16 participating area shall have been established, the owners of the working 16
17 interests according to their respective acreage interests in all unitized land, 17
18 shall by majority vote select a successor Unit Operator: Provided, That, if a 18
19 majority but less than 75 per cent of the working interests qualified to vote 19
20 are owned by one party to this agreement, a concurring vote of one or more 20
21 additional working interest owners shall be required to select a new operator. 21
22 Such selection shall not become effective until 22

23 (a) a Unit Operator so selected shall accept in writing the duties and 23
24 responsibilities of Unit Operator, and 24

25 (b) the selection shall have been approved by the Supervisor and approved 25
26 by the Land Commissioner. 26

27 If no successor Unit Operator is selected and qualified as herein provided, 27
28 the Director and the Land Commissioner, at their election, may declare this 28
29 unit agreement terminated. 29

30 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator 30
31 is not the sole owner of working interest, costs and expenses incurred by Unit 31
32 Operator in conducting unit operations hereunder shall be paid and apportioned 32
33 among and borne by the owners of working interests, all in accordance with the 33
34 agreement or agreements entered into by and between the Unit Operator and the 34
35 owners of working interests, whether one or more, separately or collectively. 35

1 Any agreement or agreements entered into between the working-interest owners 1
2 and the Unit Operator as provided in this section, whether one or more, are 2
3 herein referred to as the "unit operating agreement." Such unit operating 3
4 agreement shall also provide the manner in which the working-interest owners 4
5 shall be entitled to receive their respective proportionate and allocated share 5
6 of the benefits accruing hereto in conformity with their underlying operating 6
7 agreements, leases, or other independent contracts, and such other rights and 7
8 obligations as between Unit Operator and the working-interest owners as may be 8
9 agreed upon by Unit Operator and the working-interest owners; however, no such 9
10 unit operating agreement shall be deemed either to modify any of the terms and 10
11 conditions of this unit agreement or to relieve the Unit Operator of any right 11
12 or obligation established under this unit agreement, and in case of any incon- 12
13 sistency or conflict between this unit agreement and the unit operating agreement, 13
14 this unit agreement shall govern. Three true copies of any unit operating agree- 14
15 ment executed pursuant to this section should be filed with the Supervisor and 15
16 one true copy with the Land Commissioner, prior to approval of this unit agree- 16
17 ment. 17

18 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifi- 18
19 cally provided herein, the exclusive right, privilege and duty of exercising 19
20 any and all rights of the parties hereto which are necessary or convenient for 20
21 prospecting for, producing, storing, allocating, and distributing the unitized 21
22 substances are hereby delegated to and shall be exercised by the Unit Operator 22
23 as herein provided. Acceptable evidence of title to said rights shall be 23
24 deposited with said Unit Operator and, together with this agreement, shall 24
25 constitute and define the rights, privileges, and obligations of Unit Operator. 25
26 Nothing herein, however, shall be construed to transfer title to any land or to 26
27 any lease or operating agreement, it being understood that under this agreement 27
28 the Unit Operator, in its capacity as Unit Operator, shall exercise the rights 28
29 of possession and use vested in the parties hereto only for the purposes herein 29
30 specified. 30

31 9. DRILLING TO DISCOVERY. Within six (6) months after the effective date 31
32 hereof, the Unit Operator shall begin to drill an adequate test well at a 32
33 location approved by the Supervisor, if on Federal land, or by the Land 33
34 Commissioner, if on State land, unless on such effective date a well is being 34
35 drilled conformably with the terms hereof, and thereafter continue such drilling 35

1 diligently until the Mississippian (Barnett Shale) formation has been penetrated 1
2 and all formations of the Pennsylvanian age have been tested, or until at a 2
3 lesser depth unitized substances shall be discovered which can be produced in 3
4 paying quantities (to-wit: quantities sufficient to repay the costs of drilling, 4
5 completing and producing operations, with a reasonable profit) or the Unit 5
6 Operator shall, at any time, establish to the satisfaction of the Supervisor 6
7 if on Federal land, or the Land Commissioner if on State land, that further 7
8 drilling of said well would be unwarranted or impracticable; provided, however, 8
9 that Unit Operator shall not, in any event, be required to drill said well to a 9
10 depth in excess of 9,500 feet. Until the discovery of a deposit of unitized 10
11 substances capable of being produced in paying quantities, the Unit Operator 11
12 shall continue drilling diligently one well at a time, allowing not more than 12
13 six (6) months between the completion of one well and the beginning of the next 13
14 well, until a well capable of producing unitized substances in paying quantities 14
15 is completed to the satisfaction of said Supervisor if it be on Federal land or 15
16 of the Land Commissioner if on State land, or until it is reasonably proved that 16
17 the unitized land is incapable of producing unitized substances in paying 17
18 quantities in the formations drilled hereunder. Nothing in this section shall 18
19 be deemed to limit the right of the Unit Operator to resign as provided in 19
20 Section 5 hereof, or as requiring Unit Operator to commence or continue any 20
21 drilling during the period pending such resignation becoming effective in 21
22 order to comply with the requirements of this section. The Supervisor and Land 22
23 Commissioner may modify the drilling requirements of this section by granting 23
24 reasonable extensions of time when, in their opinion, such action is warranted. 24
25 Upon failure to commence any well provided for in this section within the 25
26 time allowed, including any extension of time granted by the Supervisor and the 26
27 Land Commissioner, this agreement will automatically terminate; upon failure to 27
28 continue drilling diligently any well commenced hereunder, the Supervisor and 28
29 the Land Commissioner may, after 15-days notice to the Unit Operator, declare 29
30 this unit agreement terminated. 30
31 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months 31
32 after completion of a well capable of producing unitized substances in paying 32
33 quantities, the Unit Operator shall submit for the approval of the Supervisor and 33
34 the Land Commissioner an acceptable plan of development and operation for the 34
35 unitized land which, when approved by the Supervisor and the Land Commissioner, 35
36 shall constitute the further drilling and operating obligations of the Unit 36

1 Operator under this agreement for the period specified therein. Thereafter, 1
2 from time to time before the expiration of any existing plan, the Unit Operator 2
3 shall submit for the approval of the Supervisor and the Land Commissioner a 3
4 plan for an additional specified period for the development and operation of the 4
5 unitized land. 5

6 Any plan submitted pursuant to this section shall provide for the explora- 6
7 tion of the unitized area and for the diligent drilling necessary for determina- 7
8 tion of the area or areas thereof capable of producing unitized substances in 8
9 paying quantities in each and every productive formation and shall be as complete 9
10 and adequate as the Supervisor and the Land Commissioner may determine to be 10
11 necessary for timely development and proper conservation of the oil and gas 11
12 resources of the unitized area and shall: 12

13 (a) specify the number and locations of any wells to be drilled and the 13
14 proposed order and time for such drilling; and 14

15 (b) to the extent practicable specify the operating practices regarded as 15
16 necessary and advisable for proper conservation of natural resources. 16

17 Separate plans may be submitted for separate productive zones, subject to the 17
18 approval of the Supervisor and the Land Commissioner. 18

19 Plans shall be modified or supplemented when necessary to meet changed 19
20 conditions or to protect the interests of all parties to this agreement. 20

21 Reasonable diligence shall be exercised in complying with the obligations of the 21
22 approved plan of development. The Supervisor and the Land Commissioner are 22
23 authorized to grant a reasonable extension of the six-month period herein pre- 23
24 scribed for submission of an initial plan of development where such action is 24
25 justified because of unusual conditions or circumstances. After completion here- 25
26 under of a well capable of producing any unitized substance in paying quantities, 26
27 no further wells, except such as may be necessary to afford protection against 27
28 operations not under this agreement and such as may be specifically approved 28
29 by the Supervisor and the Land Commissioner, shall be drilled except in accord- 29
30 ance with a plan of development approved as herein provided. 30

31 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 31
32 producing unitized substances in paying quantities or as soon thereafter as re- 32
33 quired by the Supervisor or the Land Commissioner, the Unit Operator shall submit 33
34 for approval by the Supervisor and the Land Commissioner a schedule, based on 34
35 subdivisions of the public-land survey or aliquot parts thereof, of all land 35

1 then regarded as reasonably proved to be productive in paying quantities; all 1
2 lands in said schedule on approval of the Supervisor and the Land Commissioner 2
3 to constitute a participating area, effective as of the date of completion of 3
4 such well or the effective date of this unit agreement, whichever is later. 4
5 The acreages of both Federal and non-Federal lands shall be based upon appropri- 5
6 ate computations from the courses and distances shown on the last approved 6
7 public-land survey as of the effective date of each initial participating area. 7
8 Said schedule shall also set forth the percentage of unitized substances to be 8
9 allocated as herein provided to each tract in the participating area so estab- 9
10 lished, and shall govern the allocation of production commencing with the 10
11 effective date of the participating area. A separate participating area shall be 11
12 established for each separate pool or deposit of unitized substances or for any 12
13 group thereof which is produced as a single pool or zone, and any two or more 13
14 participating areas so established may be combined into one, on approval of the 14
15 Supervisor and the Land Commissioner. When production from two or more partici- 15
16 pating areas, so established, is subsequently found to be from a common pool or 16
17 deposit said participating areas shall be combined into one effective as of 17
18 such appropriate date as may be approved or prescribed by the Supervisor and the 18
19 Land Commissioner. The participating area or areas so established shall be 19
20 revised from time to time, subject to like approval, to include additional land 20
21 then regarded as reasonably proved to be productive in paying quantities or 21
22 necessary for unit operations, or to exclude land then regarded as reasonably 22
23 proved not to be productive in paying quantities and the schedule of allocation 23
24 percentages shall be revised accordingly. The effective date of any revision 24
25 shall be the first of the month in which is obtained the knowledge or information 25
26 on which such revision is predicated, provided, however, that a more appropriate 26
27 effective date may be used if justified by the Unit Operator and approved by the 27
28 Supervisor and the Land Commissioner. No land shall be excluded from a 28
29 participating area on account of depletion of the unitized substances, except 29
30 that any participating area established under the provisions of this unit 30
31 agreement shall terminate automatically whenever all completions in the formation 31
32 on which the participating area is based are abandoned. 32
33 It is the intent of this section that a participating area shall represent 33
34 the area known or reasonably estimated to be productive in paying quantities; but 34
35 regardless of any revision of the participating area, nothing herein contained 35

1 shall be construed as requiring any retroactive adjustment for production 1
2 obtained prior to the effective date of the revision of the participating area. 2

3 In the absence of agreement at any time between the Unit Operator and the 3
4 Supervisor and the Land Commissioner as to the proper definition or redefinition 4
5 of a participating area, or until a participating area has, or areas have, been 5
6 established as provided herein, the portion of all payments affected thereby 6
7 shall be impounded in a manner mutually acceptable to the owners of working 7
8 interests and the Supervisor and the Land Commissioner. Royalties due the United 8
9 States shall be determined by the Supervisor for Federal lands and the Land 9
10 Commissioner for the State lands and the amount thereof shall be deposited, as 10
11 directed by the Supervisor and the Land Commissioner, to be held as unearned money 11
12 until a participating area is finally approved and then applied as earned or 12
13 returned in accordance with a determination of the sum due as Federal and State 13
14 royalty on the basis of such approved participating area. 14

15 Whenever it is determined, subject to the approval of the Supervisor and 15
16 the Land Commissioner, that a well drilled under this agreement is not capable of 16
17 production in paying quantities and inclusion of the land on which it is situated 17
18 in a participating area is unwarranted, production from such well shall, for the 18
19 purposes of settlement among all parties other than working-interest owners, be 19
20 allocated to the land on which the well is located unless such land is already 20
21 within the participating area established for the pool or deposit from which such 21
22 production is obtained. Settlement for working interest benefits from such a 22
23 well shall be made as provided in the unit operating agreement. 23

24 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 24
25 participating area established under this agreement, except any part thereof 25
26 used in conformity with good operating practices within the unitized area for 26
27 drilling, operating, camp, and other production or development purposes, for 27
28 repressuring or recycling in accordance with a plan of development approved by 28
29 the Supervisor and Land Commissioner, or unavoidably lost, shall be deemed to be 29
30 produced equally on an acreage basis from the several tracts of unitized land 30
31 of the participating area established for such production and, for the purpose of 31
32 determining any benefits accruing under this agreement, each such tract of 32
33 unitized land shall have allocated to it such percentage of said production 33
34 as the number of acres of such tract included in said participating area bears 34
35 to the total acres of unitized land in said participating area, except that 35
36 allocation of production hereunder for purposes other than for settlement of 36

1 the royalty, overriding royalty, or payment out of production obligations 1
2 of the respective working-interest owners, shall be on the basis prescribed in 2
3 the unit operating agreement whether in conformity with the basis of allocation 3
4 herein set forth or otherwise. It is hereby agreed that production of unitized 4
5 substances from a participating area shall be allocated as provided herein 5
6 regardless of whether any wells are drilled on any particular part or tract of 6
7 said participating area. If any gas produced from one participating area is used 7
8 for repressuring or recycling purposes in another participating area, the first 8
9 gas withdrawn from such last-mentioned participating area for sale during the 9
10 life of this agreement shall be considered to be the gas so transferred until an 10
11 amount equal to that transferred shall be so produced for sale and such gas shall 11
12 be allocated to the participating area from which initially produced as such area 12
13 was last defined at the time of such final production. 13

14 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any 14
15 party hereto owning or controlling the working interest in any unitized land 15
16 having thereon a regular well location may with the approval of the Supervisor 16
17 and the Land Commissioner, at such party's sole risk, costs, and expense, drill 17
18 a well to test any formation for which a participating area has not been estab- 18
19 lished or to test any formation for which a participating area has been estab- 19
20 lished if such location is not within said participating area, unless within 90 20
21 days of receipt of notice from said party of his intention to drill the well 21
22 the Unit Operator elects and commences to drill such a well in like manner as 22
23 other wells are drilled by the Unit Operator under this agreement. 23

24 If any well drilled as aforesaid by a working-interest owner results in 24
25 production such that the land upon which it is situated may properly be included 25
26 in a participating area, such participating area shall be established or enlarged 26
27 as provided in this agreement and the well shall thereafter be operated by the 27
28 Unit Operator in accordance with the terms of this agreement and the unit 28
29 operating agreement. 29

30 If any well drilled as aforesaid by a working-interest owner obtains 30
31 production in quantities insufficient to justify the inclusion of the land upon 31
32 which such well is situated in a participating area, such well may be operated 32
33 and produced by the party drilling the same subject to the conservation require- 33
34 ments of this agreement. The royalties in amount or value of production from 34
35 any such well shall be paid as specified in the underlying lease and agreements 35
36 affected. 36

1 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 1
2 owner who is entitled to take in kind a share of the substances now unitized 2
3 hereunder shall hereafter be entitled to the right to take in kind its share 3
4 of the unitized substances, and the Unit Operator, or the working-interest owner 4
5 in case of the operation of a well by a working-interest owner as herein pro- 5
6 vided for in special cases, shall make deliveries of such royalty share taken 6
7 in kind in conformity with the applicable contracts, laws, and regulations. 7
8 Settlement for royalty interest not taken in kind shall be made by working-interest 8
9 owners responsible therefor under existing contracts, laws, and regulations, or 9
10 by the Unit Operator, on or before the last day of each month for unitized sub- 10
11 stances produced during the preceding calendar month; provided, however, that 11
12 nothing herein contained shall operate to relieve the lessees of any land from 12
13 their respective lease obligations for the payment of any royalties due under 13
14 their leases. 14
15 If gas obtained from lands not subject to this agreement is introduced 15
16 into any participating area hereunder, for use in repressuring, stimulation of 16
17 production, or increasing ultimate recovery, in conformity with a plan of opera- 17
18 tions approved by the Supervisor and the Land Commissioner, a like amount of gas, 18
19 after settlement as herein provided for any gas transferred from any other parti- 19
20 cipating area and with appropriate deduction for loss from any cause, may be with- 20
21 drawn from the formation into which the gas is introduced, royalty free as to dry 21
22 gas, but not as to any products which may be extracted therefrom; provided that 22
23 such withdrawal shall be at such time as may be provided in the approved plan of 23
24 operations or as may otherwise be consented to by the Supervisor and the Land 24
25 Commissioner as conforming to good petroleum engineering practice; and provided 25
26 further, that such right of withdrawal shall terminate on the termination of this 26
27 unit agreement. 27
28 Royalty due the United States shall be computed as provided in the operating 28
29 regulations and paid in value or delivered in kind as to all unitized substances 29
30 on the basis of the amounts thereof allocated to unitized Federal land as pro- 30
31 vided herein at the rates specified in the respective Federal leases, or at such 31
32 lower rate or rates as may be authorized by law or regulation; provided, that 32
33 for leases on which the royalty rate depends on the daily average production per 33
34 well, said average production shall be determined in accordance with the 34
35 operating regulations as though each participating area were a single consoli- 35
36 dated lease. 36

1 Royalty due on account of State lands shall be computed and paid on the 1
2 basis of all unitized substances allocated to such lands. 2

3 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 3
4 committed hereto shall be paid by working-interest owners responsible therefor 4
5 under existing contracts, laws, and regulations, provided that nothing herein 5
6 contained shall operate to relieve the lessees of any land from their respective 6
7 lease obligations for the payment of any rental or minimum royalty due under 7
8 their leases. Rental or minimum royalty for lands of the United States subject 8
9 to this agreement shall be paid at the rate specified in the respective leases 9
10 from the United States unless such rental or minimum royalty is waived, sus- 10
11 pended, or reduced by law or by approval of the Secretary or his duly authorized 11
12 representative. 12

13 Rentals on State of New Mexico lands subject to this agreement shall be 13
14 paid at the rates specified in the respective leases. 14

15 With respect to any lease on non-Federal land containing provisions which 15
16 would terminate such lease unless drilling operations are commenced upon the 16
17 land covered thereby within the time therein specified or rentals are paid for 17
18 the privilege of deferring such drilling operations, the rentals required there- 18
19 by shall, notwithstanding any other provision of this agreement, be deemed to 19
20 accrue and become payable during the term thereof as extended by this agreement 20
21 and until the required drilling operations are commenced upon the land covered 21
22 thereby or until some portion of such land is included within a participating 22
23 area. 23

24 16. CONSERVATION. Operations hereunder and production of unitized sub- 24
25 stances shall be conducted to provide for the most economical and efficient 25
26 recovery of said substances without waste, as defined by or pursuant to State 26
27 or Federal law or regulation. 27

28 17. DRAINAGE. The Unit Operator shall take such measures as the Super- 28
29 visor and Land Commissioner deem appropriate and adequate to prevent drainage 29
30 of unitized substances from unitized land by wells on land not subject to this 30
31 agreement. 31

32 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, 32
33 and provisions of all leases, subleases, and other contracts relating to explor- 33
34 ation, drilling, development, or operation for oil or gas on lands committed to 34
35 this agreement are hereby expressly modified and amended to the extent necessary 35

1 to make the same conform to the provisions hereof, but otherwise to remain in 1
2 full force and effect; and the parties hereto hereby consent that the Secretary, 2
3 as to Federal leases and the Land Commissioner, as to State leases, shall and 3
4 each by his approval hereof, or by the approval hereof by his duly authorized 4
5 representative, does hereby establish, alter, change, or revoke the drilling, 5
6 producing, rental, minimum royalty, and royalty requirements of Federal and 6
7 State leases committed hereto and the regulations in respect thereto to conform 7
8 said requirements to the provisions of this agreement, and without limiting the 8
9 generality of the foregoing, all leases, subleases, and contracts are particu- 9
10 larly modified in accordance with the following: 10
11 (a) The development and operation of lands subject to this agreement 11
12 under the terms thereof shall be deemed full performance of all obligations for 12
13 development and operation with respect to each and every separately owned tract 13
14 subject to this agreement, regardless of whether there is any development of any 14
15 particular tract of the unit area. 15
16 (b) Drilling and producing operations performed hereunder upon any tract 16
17 of unitized lands will be accepted and deemed to be performed upon and for the 17
18 benefit of each and every tract of unitized land, and no lease shall be deemed 18
19 to expire by reason of failure to drill or produce wells situated on the land 19
20 therein embraced. 20
21 (c) Suspension of drilling or producing operations on all unitized lands 21
22 pursuant to direction or consent of the Secretary and the Land Commissioner, or 22
23 his duly authorized representative, shall be deemed to constitute such suspension 23
24 pursuant to such direction or consent as to each and every tract of unitized land. 24
25 A suspension of drilling or producing operations limited to specified lands shall 25
26 be applicable only to such lands. 26
27 (d) Each lease, sublease, or contract relating to the exploration, 27
28 drilling, development or operation for oil or gas of lands other than those of 28
29 the United States and State of New Mexico committed to this agreement, which, 29
30 by its terms might expire prior to the termination of this agreement, is hereby 30
31 extended beyond any such terms so provided therein so that it shall be continued 31
32 in full force and effect for and during the term of this agreement. 32
33 (e) Any Federal lease for a fixed term of twenty (20) years or any 33
34 renewal thereof or any part of such lease which is made subject to this agree- 34
35 ment shall continue in force beyond the term provided therein until the 35

1 termination hereof. Any other Federal lease committed hereto shall continue in 1
2 force beyond the term so provided therein or by law as to the land committed 2
3 so long as such lease remains subject hereto, provided that production is had 3
4 in paying quantities under this unit agreement prior to the expiration date 4
5 of the term of such lease, or in the event actual drilling operations are 5
6 commenced on unitized land, in accordance with the provisions of this agreement, 6
7 prior to the end of the primary term of such lease and are being diligently 7
8 prosecuted at that time, such lease shall be extended for two years and so long 8
9 thereafter as oil or gas is produced in paying quantities in accordance with 9
10 the provisions of the Mineral Leasing Act Revision of 1960. 10

11 (f) Each sublease or contract relating to the operation and development 11
12 of unitized substances from lands of the United States committed to this 12
13 agreement, which by its terms would expire prior to the time at which the under- 13
14 lying lease, as extended by the immediately preceding paragraph, will expire, 14
15 is hereby extended beyond any such term so provided therein so that it shall be 15
16 continued in full force and effect for and during the term of the underlying 16
17 lease as such term is herein extended. 17

18 (g) The segregation of any Federal Lease committed to this agreement is 18
19 governed by the following provision in the fourth paragraph of Sec. 17 (j) of 19
20 the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 20
21 781-784): "Any (Federal) lease heretofore or hereafter committed to any such 21
22 (unit) Plan embracing lands that are in part within and in part outside of the 22
23 area covered by any such plan shall be segregated into separate leases as to 23
24 the lands committed and the lands not committed as of the effective date of 24
25 unitization: Provided, however, that any such lease as to the non-unitized 25
26 portion shall continue in force and effect for the term thereof but for not 26
27 less than two years from the date of such segregation and so long thereafter 27
28 as oil or gas is produced in paying quantities." 28

29 (h) Any lease embracing lands of the State of New Mexico which is made 29
30 subject to this agreement, shall continue in force beyond the term provided 30
31 therein as to the lands committed hereto until the termination hereof. 31

32 (i) Any lease embracing lands of the State of New Mexico having only a 32
33 portion of its lands committed hereto, shall be segregated as to the portion 33
34 committed and the portion not committed, and the terms of such lease shall 34
35 apply separately to such segregated portions commencing as of the effective date 35

1 hereof; provided, however, notwithstanding any of the provisions of this 1
 2 agreement to the contrary any lease embracing lands of the State of New Mexico 2
 3 having only a portion of its lands committed hereto shall continue in full 3
 4 force and effect beyond the term provided therein as to all lands embraced in 4
 5 such lease, if oil or gas is discovered and is capable of being produced in 5
 6 paying quantities from some part of the lands embraced in such lease at the 6
 7 expiration of the secondary term of such lease; or if, at the expiration of the 7
 8 secondary term, the lessee or the Unit Operator is then engaged in bona fide 8
 9 drilling or reworking operations on some part of the lands embraced in such 9
 10 lease, the same, as to all lands embraced therein, shall remain in full force 10
 11 and effect so long as such operations are being diligently prosecuted, and if 11
 12 they result in the production of oil or gas; said lease shall continue in full 12
 13 force and effect as to all of the lands embraced therein, so long thereafter as 13
 14 oil or gas in paying quantities is being produced from any portion of said lands. 14
 15 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to 15
 16 be covenants running with the land with respect to the interest of the parties 16
 17 hereto and their successors in interest until this agreement terminates, and 17
 18 any grant, transfer, or conveyance, or interest in land or leases subject hereto 18
 19 shall be and hereby is conditioned upon the assumption of all privileges and 19
 20 obligations hereunder by the grantee, transferee, or other successor in interest. 20
 21 No assignment or transfer of any working interest, royalty, or other interest 21
 22 subject hereto shall be binding upon Unit Operator until the first day of the 22
 23 calendar month after Unit Operator is furnished with the original, photostatic, 23
 24 or certified copy of the instrument of transfer. 24
 25 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 25
 26 approval by the Secretary and the Land Commissioner or his duly authorized 26
 27 representative, and shall terminate five (5) years from said effective date 27
 28 unless 28
 29 (a) such date of expiration is extended by the Director and the Land Com- 29
 30 missioner, or 30
 31 (b) it is reasonably determined prior to the expiration of the fixed term 31
 32 or any extension thereof that the unitized land is incapable of production of 32
 33 unitized substances in paying quantities in the formations tested hereunder and 33
 34 after notice of intention to terminate the agreement on such ground is given by 34
 35 the Unit Operator to all parties in interest at their last known addresses, the 35

1 agreement is terminated with the approval of the Supervisor and the Land 1
2 Commissioner, or 2

3 (c) a valuable discovery of unitized substances has been made or accepted 3
4 on unitized land during said initial term or any extension thereof, in which 4
5 event the agreement shall remain in effect for such term and so long as 5
6 unitized substances can be produced in quantities sufficient to pay for the 6
7 cost of producing same from wells on unitized land within any participating 7
8 area established hereunder and, should production cease, so long thereafter as 8
9 diligent operations are in progress for the restoration of production or dis- 9
10 covery of new production and so long thereafter as unitized substances so dis- 10
11 covered can be produced as aforesaid, or 11

12 (d) it is terminated as heretofore provided in this agreement. This 12
13 agreement may be terminated at any time by not less than 75 per centum, on an 13
14 acreage basis, of the working-interest owners signatory hereto, with the approval 14
15 of the Supervisor and the Land Commissioner; notice of any such approval to be 15
16 given by the Unit Operator to all parties hereto. 16

17 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 17
18 hereby vested with authority to alter or modify from time to time in his 18
19 discretion the quantity and rate of production under this agreement when such 19
20 quantity and rate is not fixed pursuant to Federal or State law or does not 20
21 conform to any statewide voluntary conservation or allocation program, which 21
22 is established, recognized, and generally adhered to by the majority of oper- 22
23 ators in such State, such authority being hereby limited to alteration or 23
24 modification in the public interest, the purpose thereof and the public interest 24
25 to be served thereby to be stated in the order of alteration or modification. 25
26 Without regard to the foregoing, the Director is also hereby vested with 26
27 authority to alter or modify from time to time in his discretion the rate of 27
28 prospecting and development and the quantity and rate of production under this 28
29 agreement when such alteration or modification is in the interest of attaining 29
30 the conservation objectives stated in this agreement and is not in violation of 30
31 any applicable Federal or State law. 31

32 Powers in this section vested in the Director shall only be exercised after 32
33 notice to Unit Operator and opportunity for hearing to be held not less than 15 33
34 days from notice. 34

1 22. APPEARANCES. Unit Operator shall, after notice to other parties 1
2 affected, have the right to appear for and on behalf of any and all interests 2
3 affected hereby before the Department of the Interior and the Commissioner of 3
4 Public Lands and to appeal from orders issued under the regulations of said 4
5 Department or Land Commissioner or to apply for relief from any of said 5
6 regulations or in any proceedings relative to operations before the Department 6
7 of the Interior or the Land Commissioner or any other legally constituted 7
8 authority; provided, however, that any other interested party shall also have 8
9 the right at his own expense to be heard in any such proceeding. 9

10 23. NOTICES. All notices, demands, or statements required hereunder to be 10
11 given or rendered to the parties hereto shall be deemed fully given if given 11
12 in writing and personally delivered to the party or sent by postpaid registered 12
13 or certified mail, addressed to such party or parties at their respective 13
14 addresses set forth in connection with the signatures hereto or to the ratifi- 14
15 cation or consent hereof or to such other address as any such party may have 15
16 furnished in writing to party sending the notice, demand or statement. 16

17 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall 17
18 be construed as a waiver by any party hereto of the right to assert any legal 18
19 or constitutional right or defense as to the validity or invalidity of any 19
20 law of the State wherein said unitized lands are located, or of the United 20
21 States, or regulations issued thereunder in any way affecting such party, or as 21
22 a waiver by any such party of any right beyond his or its authority to waive. 22

23 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring 23
24 the Unit Operator to commence or continue drilling or to operate on or produce 24
25 unitized substances from any of the lands covered by this agreement shall be 25
26 suspended while the Unit Operator despite the exercise of due care and dili- 26
27 gence, is prevented from complying with such obligations, in whole or in part, 27
28 by strikes, acts of God, Federal, State, or municipal law or agencies, unavoi- 28
29 dable accidents, uncontrollable delays in transportation, inability to obtain 29
30 necessary materials in open market, or other matters beyond the reasonable 30
31 control of the Unit Operator whether similar to matters herein enumerated or 31
32 not. No unit obligation which is suspended under this section shall become 32
33 due less than thirty (30) days after it has been determined that the suspension 33
34 is no longer applicable. Determination of creditable "Unavoidable Delay" time 34
35 shall be made by the unit operator subject to approval of the Supervisor and the 35
36 Land Commissioner. 36

1 26. NONDISCRIMINATION. In connection with the performance of work 1
2 under this agreement, the operator agrees to comply with all the provisions 2
3 of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), 3
4 as amended, which are hereby incorporated by reference in this agreement. 4

5 27. LOSS OF TITLE. In the event title to any tract of unitized land 5
6 shall fail and the true owner cannot be induced to join in this unit agreement, 6
7 such tract shall be automatically regarded as not committed hereto and there 7
8 shall be such readjustment of future costs and benefits as may be required on 8
9 account of the loss of such title. In the event of a dispute as to title as to 9
10 any royalty, working interest, or other interests subject thereto, payment or 10
11 delivery on account thereof may be withheld without liability for interest until 11
12 the dispute is finally settled; provided, that, as to Federal and State land or 12
13 leases, no payments of funds due the United States or the State of New Mexico 13
14 should be withheld, but such funds shall be deposited as directed by the Super- 14
15 visor and such funds of the State of New Mexico shall be deposited as directed 15
16 by the Land Commissioner, to be held as unearned money pending final settlement 16
17 of the title dispute, and then applied as earned or returned in accordance with 17
18 such final settlement. 18

19 Unit Operator as such is relieved from any responsibility for any defect 19
20 or failure of any title hereunder. 20

21 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 21
22 interest in a tract within the unit area fails or refuses to subscribe or 22
23 consent to this agreement, the owner of the working interest in that tract may 23
24 withdraw said tract from this agreement by written notice delivered to the Super- 24
25 visor and the Land Commissioner and the Unit Operator prior to the approval of 25
26 this agreement by the Supervisor. Any oil or gas interests in lands within the 26
27 unit area not committed hereto prior to submission of this agreement for final 27
28 approval may thereafter be committed hereto by the owner or owners thereof sub- 28
29 scribing or consenting to this agreement, and, if the interest is a working 29
30 interest, by the owner of such interest also subscribing to the unit operating 30
31 agreement. After operations are commenced hereunder, the right of subsequent 31
32 joinder, as provided in this section, by a working-interest owner is subject to 32
33 such requirements or approvals, if any, pertaining to such joinder, as may be 33
34 provided for in the unit operating agreement. After final approval hereof, 34
35 joinder by a non-working interest owner must be consented to in writing by the 35

1 working-interest owner committed hereto and responsible for the payment of any 1
2 benefits that may accrue hereunder in behalf of such non-working interest. A 2
3 non-working interest may not be committed to this unit unless the corresponding 3
4 working interest is committed hereto. Joinder to the unit agreement by a 4
5 working-interest owner, at any time, must be accompanied by appropriate joinder 5
6 to the unit operating agreement, if more than one committed working-interest 6
7 owner is involved, in order for the interest to be regarded as committed to this 7
8 unit agreement. Except as may otherwise herein be provided, subsequent joinders 8
9 to this agreement shall be effective as of the first day of the month following 9
10 the filing with the Supervisor and the Land Commissioner of duly executed 10
11 counterparts of all or any papers necessary to establish effective commitment 11
12 of any tract to this agreement unless objection to such joinder is duly made 12
13 within sixty (60) days by the Supervisor and the Land Commissioner. 13

14 29. COUNTERPARTS. This agreement may be executed in any number of 14
15 counterparts no one of which needs to be executed by all parties or may be 15
16 ratified or consented to by separate instruments in writing specifically refer- 16
17 ring hereto and shall be binding upon all those parties who have executed such 17
18 a counterpart, ratification, or consent hereto with the same force and effect 18
19 as if all such parties had signed the same document and regardless of whether 19
20 or not it is executed by all other parties owning or claiming an interest in the 20
21 lands within the above-described unit area. 21

22 30. NO PARTNERSHIP. It is expressly agreed that the relation of the parties 22
23 hereto is that of independent contractors and nothing in this agreement contained 23
24 expressed or implied, nor any operations conducted hereunder, shall create or be 24
25 deemed to have created a partnership or association between the parties hereto or 25
26 any of them. 26

27 31. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working- 27
28 interest owners, nor any of them, shall be subject to any forfeiture, termination, 28
29 or expiration of any right hereunder or under any leases or contracts subject 29
30 hereto, or to any penalty or liability on account of delay or failure in whole 30
31 or in part to comply with any applicable provisions thereof to the extent that 31
32 the said Unit Operator or the working-interest owners, or any of them, are 32
33 hindered, delayed, or prevented from complying therewith by reason of failure of 33
34 the Unit Operator to obtain, in the exercise of due diligence, the concurrence 34
35 proper representatives of the United States and proper representatives of the 35

1 State of New Mexico in and about any matters or things concerning which it 1
2 is required herein that such concurrence be obtained. The parties hereto, 2
3 including the State Commission, agree that all powers and authority vested 3
4 in the State Commission in and by any provisions of this agreement are 4
5 vested in the State Commission and shall be exercised by it pursuant to the 5
6 provisions of the laws of the State of New Mexico and subject in any case to 6
7 appeal or judicial review as may now or hereafter be provided by the laws of 7
8 the State of New Mexico. 8
9 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 9
10 executed and have set opposite their respective names the date of execution. 10

ATTEST:

MARALO, INC.

Secretary

BY: _____

THE STATE OF TEXAS I

COUNTY OF _____ I

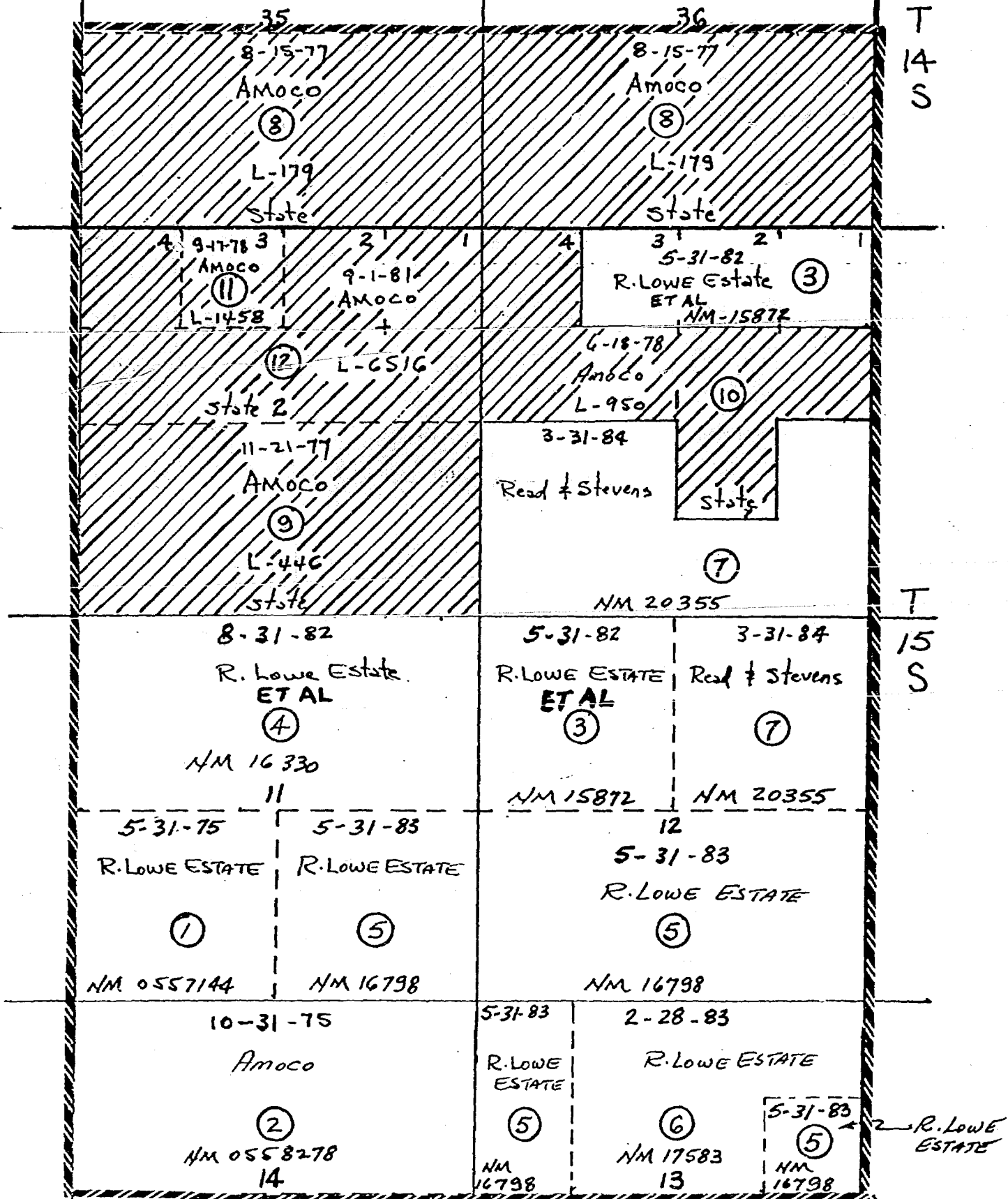
The foregoing instrument was acknowledged before me this _____ day of
_____, 1975, by _____
who is _____ President of Maralo, Inc., a Texas Corporation, for and
on behalf of said Corporation.

Notary Public in and for _____
County, Texas

My Commission Expires:

EXHIBIT "A"

Butler Springs Unit
Chaves County,
New Mexico
Marolo, Inc. - Operator



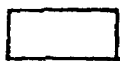
1520.80 Acres



STATE ACREAGE

-39.59%

2320.52 Acres



FEDERAL ACREAGE

-60.41%

3841.32

100.00%

R28E

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES
BUTLER SPRINGS UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO
PAGE 1

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES	BASIC ROYALTY OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
<u>TOWNSHIP 15 SOUTH, RANGE 28 EAST</u>							
1	Sec.11: SW/4	160.00	NM-0557144 5-31-75	USA	12.5	Estate of Ralph Lowe	Thelma F.DeSmet: 4% Lowe: 100%
2	Sec.14: N/2	320.00	NM-0558278 10-31-75	USA	12.5	Amoco Production Company	None Amoco: 100%
3	Sec. 1: Lots 1,2,3 Sec.12: NW/4	280.52	NM-15872 5-31-82	USA	12.5	Estate of Ralph Lowe, et al	A.Lansdale: 5% Lowe: 100%
4	Sec.11: N/2	320.00	NM-16330 8-31-82	USA	12.5	Estate of Ralph Lowe, et al	Panos Investment Company: 5% Lowe: 100%
5	Sec.11: SE/4 Sec.12: S/2	600.00	NM-16798 5-31-83	USA	12.5	Estate of Ralph Lowe	Mildred Unruh: 5% Lowe: 100%
6	Sec.13: W/2 NW/4 & SE/4 NE/4 Sec.13: E/2 NW/4, W/2 NE/4, NE/4 NE/4	200.00	NM-17583 2-28-83	USA	12.5	Estate of Ralph Lowe	M.N.Hahn: 2% C.E.Strange: 2% Lowe: 100%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES	BASIC ROYALTY OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
7	Sec. 1: SW/4, S/2 SE/4, NE/4 SE/4 Sec. 12: NE/4	440.00	NM-20355 3-31-84	USA	12.5	Read & Stevens, Inc.	5% Read & Stevens: 100%
7 Federal Tracts 2,320.52 acres, or 60.41% of Unit Area.							
<u>TOWNSHIP 14 SOUTH, RANGE 28 EAST</u>							
8	Sec. 36: S/2	320.00	L-170 11-15-77	State	12.5	Amoco Production Company	Amoco: 100%
<u>TOWNSHIP 15 SOUTH, RANGE 28 EAST</u>							
9	Sec. 2: S/2	320.00	L-446 11-21-77	State	12.5	Amoco Production Company	Amoco: 100%
10	Sec. 1: Lot 4, S/2 N/2, NW/4 SE/4	240.40	L-950 6-18-78	State	12.5	Amoco Production Company	Amoco: 100%
11	Sec. 2: Lot 3	40.01	L-1458 9-17-78	State	12.5	Amoco Production Company	Amoco: 100%
12	Sec. 2: Lots 1, 2, 4, S/2 N/2	280.39	L-6516	USA	12.5	Amoco Production Company	Amoco: 100%
5 State Tracts 1,520.80 acres, or 39.59% of Unit Area.							
TOTAL:	12 Tracts 3,841.32 acres in entire Unit Area.						



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

May 22, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Paul Eaton
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: CASE NO. 5470

ORDER NO. R-5021

Applicant:

Maralo, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Unit Division - State Land Office

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5470
Order No. R-5021

APPLICATION OF MARALO, INC. FOR
APPROVAL OF THE BUTLER SPRINGS
UNIT AGREEMENT, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 14, 1975,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 22nd day of May, 1975, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Maralo, Inc., seeks approval of
the Butler Springs Unit Agreement covering 3841.32 acres, more
or less, of State and Federal lands described as follows:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 14 SOUTH, RANGE 28 EAST, NMPM
Section 35: S/2
Section 36: S/2

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Sections 1 and 2: All
Sections 11 and 12: All
Section 13: N/2
Section 14: N/2

(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correla-
tive rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Butler Springs Unit Agreement is hereby
approved.

-2-

Case No. 5470
Order No. R-5021

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

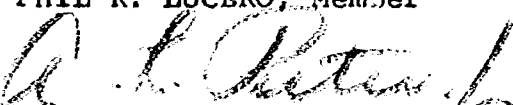
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

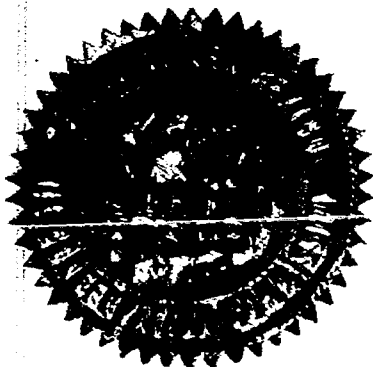
DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman


PHIL R. LUCERO, Member


A. L. PORTER, Jr., Member & Secretary



S E A L

jr/

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 5470

Order No. R-5021

APPLICATION OF MARALO, INC.
FOR APPROVAL OF THE BUTLER SPRINGS
UNIT AGREEMENT, CHAVES, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
May 14, 1965, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this day of May, 1965, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Maralo, Inc.,
seeks approval of the Butler Springs Unit Agreement
covering 3841.32 acres, more or less, of State and
Federal lands
and Fee
described as follows:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 14 South, RANGE 28 East, NMPM

Sec. 35: S/2
Sec. 36: S/2

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM

Secs. 1 and 2: All
Secs. 11 and 12: All
Sec. 13: N/2
Sec. 14: N/2

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Butler Springs Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

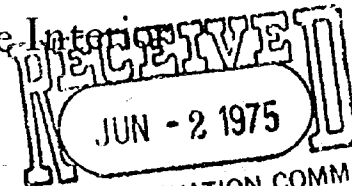
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201



OIL CONSERVATION COMM.
Santa Fe

May 29, 1975

*File Case 5470
(Unit)*

Griffin & Burnett, Inc.
Attention: Mr. Kenneth H. Griffin
501 Petroleum Building
Midland, Texas 79701

Gentlemen:

Enclosed is one approved copy of the Butler Springs unit agreement, Chaves County, New Mexico, with Maralo, Inc., as unit operator. Such agreement has been assigned No. 14-08-0001-14265, and is effective as of May 29, 1975, the date of approval.

You are requested to furnish the New Mexico Oil Conservation Commission and all interested principals with evidence of this approval.

Sincerely yours,

N. O. FREDERICK
Area Oil and Gas Supervisor

cc:
✓ NMOCC, Santa Fe (ltr only)
Com. Pub. Lands, Santa Fe, (ltr only)
Area Geologist, Roswell (ltr only)
Artesia (w/cy agr.)

CEWatts:ds

Unit Name BUTLER SPRINGS UNIT (EXPLORATORY)
Operator Marolo, Inc.
County Chaves

DATE	OCC CASE NO.	5470	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-5021							
Commissioner	Commission		5-29-75	3,841.32	1,520.80	2,320.52	-0-	Yes	5 yrs.
5-29-75	5-23-75								

UNIT AREA

TOWNSHIP 14 SOUTH, RANGE 28 EAST, NMPM
Section 35: S/2
Section 36: S/2

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Sections 1 and 2: All
Sections 11 and 12: All
Section 13: N/2
Section 14: N/2

TERMINATED
5-9-77

Unit Name BUTLER SPRINGS UNIT (EXPLORATORY)
Operator Marolo, Inc.
County Chaves

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	DATE	ACRES	ACREAGE		LESSEE
									NOT RATIFIED	RATIFIED	
8	L-179	C.S.	35 36	14S 14S	28E 28E	S/2 S/2	5-23-75	640.00			Amoco Production Co.
9	L-446	C.S.	2	15S	28E	S/2	5-23-75	320.00			Amoco Production Co.
10	L-950	C.S.	1	15S	28E	Lot 4, S/2N/2, NW/4SE/4	5-23-75	240.40			Amoco Production Co.
11	L-1458	C.S.	2	15S	28E	Lot 3	5-23-75	40.01			Amoco Production Co.
12	L-6516	C.S.	2	15S	28E	Lots 1, 2, 4, S/2N/2	5-23-75	280.39			Amoco Production Co.

TERMINATED
5-9-77
E.M.